

## **Ausdal Financial Partners, Inc.**

**5187 Utica Ridge Road  
Davenport, IA 52807**

**563-326-2064**  
**[www.ausdal.com](http://www.ausdal.com)**

**FORM ADV PART 2A APPENDIX 1**

**WRAP FEE BROCHURE**

**April 30, 2018**

This wrap fee brochure provides information about the qualifications and business practices of Ausdal Financial Partners, Inc., the advisor. If you have any questions about the contents of this Brochure, please contact Ausdal Financial Partners, Inc. at (800) 722-8732 or [ausdal@ausdal.com](mailto:ausdal@ausdal.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Ausdal Financial Partners, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for the advisor is 7995.

Ausdal Financial Partners, Inc. is a registered investment adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

## Item 2 MATERIAL CHANGES

This Item discloses material changes since the last annual update of this brochure on April 13, 2017.

The following material changes have been made since the last annual update:

In Item 4 we added the following information to ensure clients are fully apprised of our practices with respect to 12b-1 Fees. Although we believe our prior disclosures informed them of the material facts, to be sure, we have added the following information:

Our firm receives 12b-1 fees in connection with mutual funds for advisory client accounts. This compensation is separate and in addition to our advisory fees; and a portion of the 12b-1 Fees will be paid to us and shared with the Representative. This practice presents a conflict of interest because we have an incentive to recommend mutual funds for which we receive 12b-1 fees rather than solely based on your needs. We and our Representatives can select or recommend, and in many instances will select or recommend to our advisory clients, mutual fund investments in share classes that pay 12b-1 fees when clients are eligible to purchase share classes of the same funds that do not pay such fees and are less expensive. This presents a conflict of interest. You are under no obligation, contractually or otherwise, to purchase securities products through our firm.

We revised Item 9 to provide additional disclosures with respect to the conflicts of interest relating to the interests of Ausdal Financial Partners, certain members of its management, and its supervised persons in Amplify Holdings, LLC, and Amplify Investments, and in Probabilities Fund Management, LLC ("PFC"). Amplify Holdings, LLC ("Amplify"), is a business that is being organized to acquire the assets of an Exchange-Traded Fund and to develop a financial services distribution company primarily focused on distributing ETFs. Clients should understand that AFP has a conflict of interest because a principal of our firm and our Executive Vice President will "control" two of the three seats on Amplify's Board and will also own a significant percentage of its membership interests; consequently, AFP and Amplify may be deemed to be under common control. Probabilities Fund Management, LLC, the investment adviser for the Probabilities Fund. Robert B. Ausdal Jr., President of AFP, serves as a consultant to the PFM investment committee, a position for which he receives no compensation. AFP may benefit financially from advisory fees paid to PFM.

AFP owns less than 5% of Probabilities Fund Management, LLC, the investment adviser for the Probabilities Fund. Robert B. Ausdal Jr., President of AFP, serves as a consultant to the PFM investment committee, a position for which he receives no compensation. AFP may benefit financially from advisory fees paid to PFM. As a result of AFP's economic interest in PFM, a conflict of interest exists where AFP or a Representative has an incentive to recommend investment in the Probabilities Fund based on the economic benefits to be received rather than based solely on the investment needs of the client. We address this conflict by disclosing it in this Brochure; we disclose to clients they have the right to decide whether or not to act on such recommendations, and if they choose to act on such recommendations, whether to purchase such products through AFP and a Representative or another broker-dealer, insurance agency, or financial institution of their choosing, which may charge less (or more) for such products; and we educate our employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to Clients.

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## **Item 4 SERVICES, FEES AND COMPENSATION**

### **A. This Brochure & Our Firm's Background**

This Brochure provides important information about Ausdal Financial Partners, Inc. (referred to as "AFP," the "Firm," "we," or "us"), our services, our compensation, the costs of participating in our various programs, and situations where our interests may conflict with the interests of our clients. We offer other investment advisory services and those are described in our separate Form ADV Part 2A Appendix 1 Wrap Fee Brochure.

You should pay particular attention to the discussions about our various conflicts of interest because these can affect our judgment in managing your account, in choosing brokers to execute trades for your account, and in recommending custodians, among other important considerations.

You should also keep in mind that a number of separate businesses provide the various investment products and services described in this Brochure. These businesses' legal, contractual, and regulatory obligations differ in important ways depending on whether, in providing the product or service, they are acting as an investment adviser, broker-dealer, custodian, or insurance company.

If you have questions about the information in this Brochure, you can reach your Representative at the email address, telephone number, or street address shown in the Brochure Supplement you received from your Representative. You can reach our senior management, including our Chief Compliance Officer, at the email address, telephone number, or street address shown on the front of this Brochure.

### OUR HISTORY, OWNERSHIP, AND BUSINESS

We are an Iowa corporation headquartered in Davenport, Iowa. We were founded in 1979 as a securities brokerdealer firm, and are currently registered as a broker-dealer with the Securities and Exchange Commission as well as all 50 states and the District of Columbia. We are a member of the Financial Industry Regulatory Authority ("FINRA"). In 1991, we registered with the SEC as an investment adviser. We are a closely held corporation with no shareholder owning 25% or more of our stock.

Because we are registered as both an investment adviser and broker-dealer, and are licensed as an insurance broker, we provide investment advisory services, and sell securities and insurance products. Pershing, LLC ("Pershing"), serves as the clearing broker-dealer for AFP's brokerage business and provides custodial services for some of our advisory clients.

### **B. Our Wrap Fee Advisory Services**

The Ausdal Wrap Fee Program consists of the following programs:

- Representative-Directed Portfolio Wrap Fee Program
- Proprietary Advisory Wrap Fee Program
- Third-Party Wrap Fee Program

This Brochure provides information about these program. Additional information about AFP is available in our Form ADV Part 1A Brochure, which is available from our Representative or from our office at the address shown on the front of this Brochure. Additional information is also available about the Sponsors and Managers discussed below in their respective disclosure Brochures, which are available upon request through our Representative or from the Sponsor or Manager directly.

Because the information in this Brochure is necessarily general and does not address all details of the Wrap Fee Programs, clients should refer to their individual Advisory Agreement for specific terms that apply to them. Clients may request further information from their Representatives or from our home office.

## **1. Representative-Directed Portfolio Program**

In the RDP Wrap Program, the Representative will obtain information regarding the client's personal and financial situation, and the investment objective, tolerance for risk, liquidity needs, and investment time horizon for the account that will be managed through the RDP Wrap Program (all referred to as the "Suitability Information"), as well as any reasonable investment restrictions the client wishes to impose.

The Representative will assist the client to identify a suitable allocation of the client's RDP Wrap Program assets, and an investment style and strategy which are suitable for the account in view of the account's investment objective, liquidity needs, investment time horizon, risk tolerance, and any reasonable investment restrictions imposed by the client.

Clients should take care to ask the Representative questions about the RDP Wrap Program to be sure they understand the risks, potential rewards, fees, and expenses of the Program, the strategy the Representative expects to use, and the types of investments that are expected. Where available, clients should request copies of the prospectuses for the investments expected to be used for the account, and then ask questions about these investment before deciding to participate in the Program.

Subject to the Firm's supervision, the Representative will provide continuous and regular investment management services of the RDP Wrap Program account assets consistent with such allocation, investment style and strategy, as modified from time to time by the Representative, in the Representative's discretion, in a manner intended to achieve the account's objective.

### *Types of Investments*

In general, the RDP Portfolios are allocated in specifically chosen proportions among fixed income and equity asset classes, depending on the Portfolio's investment objective, target for volatility, and other characteristics, implemented through investments in: mutual funds; money market funds; closed-end funds; exchange-trade funds ("ETFs"), including inverse and leveraged ETFs; common and preferred stocks; REITS; Business Development Companies; non-traded closed end funds; as well as direct obligations issued or guaranteed by the U.S. Treasury, government agencies, or government sponsored enterprises; and if appropriate, "sweep" arrangements where cash balances are transferred into money market funds; money market deposit accounts, or bank accounts for cash management purposes, which may be advised by or maintained with the account's qualified custodian ("Custodian") or an affiliate of the Custodian.

The Representative's investment strategy and any liquidity needs and investment restrictions imposed by the client will affect the specific types of investments we purchase or recommend for the specific client's account.

### *Advisory Agreement and Custodial Account*

Clients who desire to participate in the RDP Wrap Program will enter into an Advisory Agreement to establish an account with us, and will also establish an account with the Custodian, which will maintain the account's assets and provide brokerage services.

### *Deposit Cash or Cash Equivalents*

Generally, the client is expected to deliver only cash or cash equivalents to the Custodian. With our consent, client may transfer securities to the Custodian, but the securities will be liquidated to cash as soon as reasonably practical. Client may not transfer or deposit to the account any securities that are not publicly traded or that cannot be promptly sold. Client will grant us and the Custodian the authority, in our respective discretion, to liquidate securities transferred into the account.

### *Discretion Over the Account; Authority to Rebalance and to Liquidate Securities*

In the Advisory Agreement, client will grant us, including the Representative, full discretion to select the investments, to designate the strategies, and to buy, sell, or otherwise invest the assets of the account, all without prior notice or consent of the client. Clients also grant the Firm and Representative authority to rebalance the client's account as we determine appropriate; authority to liquidate sufficient assets to pay the Advisory Fee, Program Fee, or any costs or expenses of a Program, when necessary; and authority to carry out related actions that the Firm or the Representative deems necessary or appropriate to fulfill these responsibilities.

### *Non-Discretionary Accounts*

If we agree to accept a non-discretionary account, the Representative will recommend to client the strategies and transactions for the account, and will obtain the client's consent prior to making investments for the account; provided, even in non-discretionary accounts, the client may provide written authorization for us to make certain investments without prior consent of the client under specific circumstances.

### *Differences Among Representatives' Accounts*

Representatives follow different investment strategies and styles, and adjust their investment selections depending on their clients' personal and financial situation, and the investment objective, risk tolerance, liquidity needs, and investment time horizon of the account they are managing.

Consequently, it is expected that the RDP Wrap Portfolios, levels of volatility, fees, expenses, returns, and performance will vary significantly among accounts managed by the same Representative and among those accounts managed by different Representatives.

The Representative will be acting on behalf of the Firm; any discretion granted by the client to the Representative will be deemed to be granted to, and may be exercised by, the Firm. The Firm, as the Representative's supervisor, will have the authority to direct any act of the Representative in the performance of any service. Although the Representatives are supervised by the Firm and the Firm monitors the accounts of each Representative, the Firm does not direct or mandate the investment strategy or style followed by a Representative.

## **2. Proprietary Advisory Program**

In the Proprietary Advisory Wrap Fee Program (formerly known as the "Proprietary Investment Program," now known as the "Proprietary Wrap Program"), the client's account is invested according to one of the program's proprietary model "Portfolios."

For clients interested in the Proprietary Wrap Program, our Representative will obtain information regarding the client's personal and financial situation, and the investment objective, tolerance for risk, liquidity needs, and investment time horizon for the account that will be managed through the Proprietary Wrap Program, and any reasonable investment restrictions the client wishes to impose (all referred to as the "Suitability Information").

If the Representative determines the Proprietary Wrap Program is suitable for the account, he or she will explain the types of investments used, the overall program investment objectives, the advisory fees and other costs and expenses the client should expect to incur, and the potential risks of the program, among other matters. The client must sign an Advisory Agreement to establish an account with us to participate in the Proprietary Wrap Program, and enter into a custodial and brokerage arrangement, as described below.

### *Current Portfolios*

We currently have developed the following model Portfolios in the Proprietary Program:

- Portfolio Rehabilitation™ models (more defensive than Probabilities) — Platinum, Dividend Income, Historical Pattern Trading, Gold (closed) and Growth & Income (closed)
- Probabilities models— Platinum and Aggressive (less defensive than Portfolio Rehabilitation)

Generally the models consist of varying proportions of cash, fixed income, and equity investments, consisting of mutual funds, money market funds, closed-end funds; inverse and leveraged ETFs; common and preferred stocks; as well as direct obligations issued or guaranteed by the U.S. Treasury, government agencies, or government sponsored enterprises; and if appropriate, "sweep" arrangements where cash balances are transferred into money market funds, money market deposit accounts, or bank accounts for cash management purposes, which may be advised by or maintained with the account's qualified custodian ("Custodian") or an affiliate of the Custodian. The Dividend Income Portfolio and Historical Pattern Trading Portfolio own no fixed income investments and use Portfolio Rehabilitation as a risk management program to mitigate downside risk.

### *The Strategy*

Portfolio Rehabilitation can be implemented as an overall portfolio strategy or as a risk management program. Platinum is our flagship Portfolio Rehabilitation portfolio strategy, where we begin with a fixed income portfolio designed in accordance with what we believe are fundamental, long-term financial principles generally intended to control risk and maximize cash flow over an entire market cycle. Then we tactically adjust portfolio allocations of equity and fixed income investments based upon our assessment of US economic conditions and general levels of market risk. Once the client's account has been invested to reflect the designated Portfolio, it will be managed in accordance with that portfolio's goals. The core Portfolio Rehabilitation portfolio strategy devotes approximately two-thirds of the portfolio to fixed income investments and one-third to equity investments. There may be extended periods with very low portfolio turnover, or high levels of cash, or both, especially in the less aggressive programs. Portfolio Rehabilitation may at times use inverse and leveraged exchange-traded funds ("ETFs"), as appropriate to the Portfolio selected, and may hold these positions longer than recommended by prospectuses of the corresponding ETFs. Holding these ETFs longer than originally intended, increases what's known as "tracking risk" which is the amount by which the ETF deviates from the index or benchmark it was designed to reflect. It is very important for investors to understand that the Probabilities Portfolios are designed specifically for the moderately aggressive to aggressive portions of an investor's entire portfolio allocation, and care should be taken not to over allocate to this

area. All of our programs are meant to be held for an entire market cycle (full bull market and full bear market) and should be evaluated in that context. As such these programs might not be appropriate for clients with shorter investment horizons.

### *The Portfolios*

The Portfolio Rehabilitation portfolios seek to achieve favorable returns as compared to the broader equities markets measured over an entire market cycle **adjusted for portfolio risk**. The Portfolio Rehabilitation Portfolios differ from the Probabilities Portfolios in their overall greater emphasis on minimizing downside risk, while the Probabilities Portfolios place proportionately greater emphasis on equity investments and leveraged ETF's to enhance overall return. Among the Probabilities Portfolios, the Platinum allocates 70% to the "original" Rehabilitation Portfolios, and 30% to a "Growth Sleeve" that is managed in accordance with Probabilities Signals. The "Platinum" strategy may use individual securities and inverse and leveraged ETF's in addition to mutual funds and ETF's. The Aggressive Portfolio is allocated 50% to the original Portfolio Rehabilitation model and 50% to a Growth Sleeve that is managed in accordance with Probabilities Signals. The Probabilities Portfolios seek to exceed returns of the broader equities markets when measured over a complete market cycle and adjusted for risk, by investing in non-leveraged ETF's as well as leveraged and inverse ETFs. When leveraged ETF's are used, the client's account may have more than 100% exposure to the equities financial markets. Accounts that have designated the Platinum Probabilities model may have approximately 85%, up to approximately 130% exposure to equities when fully invested using leveraged ETF's. Accounts that have designated the Aggressive Probabilities model may have 120% to approximately 150% exposure to the equities financial markets when fully invested using leveraged ETF's. As discussed more fully in Item 8, the use of leveraged and inverse ETFs can significantly increase the volatility and potential for losses in the client's account.

### *Probabilities Fund Management, LLC*

The Firm's Investment Committee (or a senior executive, in the absence of the Investment Committee) is responsible for developing and managing the Portfolio Rehabilitation Portfolios and selecting the securities that will be used for each asset class. Probabilities Fund Management, LLC ("PFM"), an SEC-registered investment adviser, is currently engaged to assist in the development of the Probabilities Portfolios and selection of the securities to be used for the Growth Sleeve, and to provide signals ("Signals") the firm may use to identify when to buy and sell securities in clients' accounts. We expect to follow the Signals in managing accounts that have designated the Probabilities Portfolios. However, we may, in our discretion, reject, delay implementation, or modify, in whole or in part, a Signal and we may engage in other transactions, as we deem appropriate. There is no set minimum or maximum number of positions that will be held for an account or specific frequency that account positions will be traded.

The majority owner of PFM is Joseph Childrey, who was, prior to 2018, a registered representative and investment adviser representative of AFP. AFP owns less than a 5% interest in PFM. AFP's ownership interest in PFM creates a conflict of interest because it provides an economic incentive for AFP to recommend clients participate in the Probabilities Portfolios based on the fees to be received rather than the Client's investment needs. Although we strive to address this conflict in a manner consistent with our fiduciary duty, our judgment may be affected such that our efforts may not be entirely successful. To help mitigate this conflict, we have adopted procedures designed to ensure that the recommendation of a Portfolio is based on the Suitability Information provided by the client and we emphasize the right of the client to reject any investment or recommendation.



### *Discretion Over Account Investments*

In the Advisory Agreement, the client grants us full authority and discretion to engage in the Strategy to manage the account guided by the Portfolio designated for the account. We will have the authority and discretion to buy, sell, exchange, redeem, or otherwise effect transactions for the client's account, to accept or reject the Signals (for Probabilities Portfolios), in whole or in part, and to allocate and reallocate the account and account investments consistent with the designated Portfolio, as and to the extent we deem appropriate, in our sole discretion, without prior notice or consent of client. We may add to, remove, or otherwise change the mutual fund families (or funds of a particular fund family), or other investments or types of investments that comprise a Portfolio or in which we invest the client's account, without prior notice or consent of the client. We retain the discretion to revise the Proprietary Program, change the Strategy, change the investment objective, investment allocation, or other characteristics of a Portfolio, replace PFM, or engage an additional investment adviser to advise us with respect to the Proprietary Program and Portfolios, and add or close a Portfolio, without prior notice or consent of the client.

### *Fees for RDP Wrap Program & Proprietary Wrap Program*

As described above, clients who participate in the RDP Wrap Program and Proprietary Wrap Program will enter into an Advisory Agreement with us in which the client agrees to pay us an Advisory Fee. For both programs, the maximum annualized Fee Rate for each of the following "Asset Tiers" is as follows:

<b>Asset Fee Tier</b>	<b>Maximum Fee Rate</b>
Up to - \$250,000	2.50%
\$250,001 - \$500,000	2.25%
\$500,001 - \$1,000,000	2.00%
Over - \$1,000,001	1.75%

The client's Advisory Agreement will contain the actual amount of the client's Advisory Fee Rate(s), the applicable Asset Tiers, whether fees are payable in advance or in arrears, and whether the fees are calculated by multiplying the Fee Rate for each Asset Tier times the value of assets in that Tier (the "Tiered Method") or by using a single Fee Rate based on the rate applicable to the highest Tier in which the account has assets.

### *Payment of Fees*

Unless otherwise negotiated by a Representative, Advisory Fees are due and payable immediately at the beginning of each calendar quarter or other period for which fees are calculated (and upon termination of the Advisory Agreement, for any unpaid amounts). Advisory Fees are not charged on the basis of a share of capital gains upon or capital appreciation of the account or any Managed Asset.

The Advisory Fees are based on the Advisory Fee Rate and the value of Managed Assets as of the last trading day of the preceding calendar quarter (or for the initial calendar quarter, the value of the Managed Assets as of the last trading day of the initial quarter, prorated beginning on the Effective Date of the Advisory Agreement).

Advisory Fees may be calculated on the basis of the actual number of days in a calendar quarter or on the basis of 4 even calendar quarters, as we elect to apply on a consistent basis.

### *Exceptions to Fee Calculation Method*

For certain legacy clients, the fee calculation methods differ from the methods detailed above. As agreed to in the Advisory Agreement, the advisory fee is calculated annually based upon the account value at the end of the previous year and paid in 4 quarterly installments due at the beginning of each quarter. During periods when account values are rising, these clients may pay a lower fee than they would using our standard monthly or quarterly billing methods. Conversely, during periods of declining account values, the client may pay higher fees than they would using our standard monthly or quarterly billing methods. We are not accepting any clients on this billing method. Clients using this billing method are permitted to transition to our standard method.

### THIRD-PARTY WRAP FEE PROGRAM OVERVIEW

Through the Third-Party Wrap Fee Program, AFP offers clients access to an extensive range of professional investment management programs ("Third-Party Wrap Programs") sponsored by third-party investment firms ("Sponsors"). The details of the Third-Party Wrap Programs vary and the programs we have available are subject to change. Clients interested in a Third-Party Wrap Program will receive the details of a specific program from the Representative once the client's needs and objectives have been identified. Below, we provide a general overview of terms common to many of the Third-Party Wrap Programs; however, the client must refer to the client's program agreement with the Sponsor of the Third-Party Wrap Program and any separate advisory agreements with third-party portfolio managers (each a "Manager") designated for the account for the specific details applicable to the client.

For clients interested in the Third-Party Wrap Fee Program, our Representative will work with the client to develop a personal investment profile that identifies the client's personal and financial situation, and the investment objective, tolerance for risk, liquidity needs, and investment time horizon for the account that will be managed through the Third-Party Wrap Fee Program (all referred to as the "Suitability Information"), and any reasonable investment restrictions the client wishes to impose on the account.

The Representative will assist the client to select an appropriate Third-Party Wrap Program and to complete the required program applications and agreements to participate in the Third-Party Wrap Program and to open an account with the qualified custodian designated for the Third-Party Wrap Program. Then, the Representative will assist the client to designate one or more suitable Manager from a roster of managers available through the particular Third-Party Wrap Program. Each Manager designated for the client's Third-Party Wrap Program account will actively manage the portion of the client's account allocated to the Manager according to the Manager's stated investment style and strategy. The client will receive the Form ADV Part 2A Brochure for each Manager designated for the account.

### *Advisory Fee and Program Fee*

Clients who participate in the SMA Program will enter into an advisory agreement with AFP in which the client agrees to pay us "Advisory Fees" for our on-going services with respect to the Third-Party Program the client selects; provided, if we are paid a solicitor's fee for referring the client, we will offset the Advisory Fee by the amount of any solicitor's fee upon our actual receipt of such solicitor's fee.

In addition to the Advisory Fee, the client will pay the Sponsor a separate fee (sometimes called a "Program Fee") to participate in the Program. As sponsor of the Program, the Sponsor is responsible for administering the Program, paying Managers, and providing services related to client profiling assistance, strategic asset allocation assistance, style allocation assistance, research and evaluation

of investment strategies and investments, account performance calculations, account rebalancing, account reporting, account billing administration and other operational and administrative services to assist us in providing advisory services. Not all clients will benefit from all services from the Sponsor, even though the costs of such services may be borne by all accounts that participate in that Third-Party Wrap Program. Clients should be aware that they will incur other costs of participating in the Third-Party Wrap Programs, which are in addition to the Advisory Fees and Program Fees. For example, please refer to Item 5 which discusses Additional Fees & Expenses Client will incur.

The maximum combined Advisory Fee Rate and Program Fee Rate (the "Combined Rate") is 2.75% (expressed as an annual percentage); provided, the client's Advisory Agreement will contain the exact terms with respect to the actual amount of the client's Advisory Fee Rate(s), Program Fee rate(s), the applicable Asset Tiers, whether fees are payable in advance or in arrears, and whether the fees are calculated by multiplying the Fee Rate for each Asset Tier times the value of assets in that Tier (the "Tiered Method") or by using a single Fee Rate based on the rate applicable to the highest Tier in which the account has assets.

### *Payment of Fees*

Unless otherwise negotiated by a Representative and subject to the requirements of each Sponsor, Advisory Fees and Program Fees are due and payable immediately at the beginning of each calendar quarter or other period for which fees are calculated (and upon termination of the Advisory Agreement, for any unpaid amounts). Advisory Fees and Program Fees are not charged on the basis of a share of capital gains upon or capital appreciation of the account or any Managed Asset.

The Advisory Fees and Program Fees are based on the Combined Rate (as determined according to client's then current selection of Manager(s) in the Third-Party Wrap Program) and the value of Managed Assets as of the last trading day of the preceding calendar quarter (or for the initial calendar quarter, the value of the Managed Assets as of the last trading day of the initial quarter, prorated beginning on the Effective Date of the Advisory Agreement).

Combined Fees may be calculated on the basis of the actual number of days in a calendar quarter or on the basis of 4 even calendar quarters, as we elect to apply on a consistent basis.

### *Changes in Fee Calculation and Billing Procedures*

Clients should be aware that the Sponsor of each Third-Party Wrap Program will act as collection agent for our Advisory Fees and we intend to work with the Sponsor, to the extent we believe reasonable, to coordinate our fee billing, calculation, and collection procedures so that they are consistent with the procedures used by the Sponsor of each Third-Party Wrap Program. Consequently, in our discretion, we may change the billing and valuation periods and assumptions for calculating combined Advisory Fees and Program Fees from those described above or in the client's Advisory Agreement, as we determine appropriate so that they reasonably reflect the procedures used by each Sponsor. However, such changes will not cause the combined Advisory Fee and Program Fee Rate to exceed the maximum stated above, unless we provide client with at least 30 days' prior notice of such changes.

### FAIR VALUATION OF ASSETS

Typically, the value of an account will be based on the value reported by the Custodian on its statements (or its internal electronic system). In the event a Custodian does not value the account or any asset, or we determine a Custodian's value of the account or an asset is materially inaccurate, the

account or such asset shall be valued by us in good faith to reflect its fair value. Money market accounts and bank accounts, if any, shall be valued as of the valuation date. Transactions that have not settled may be included in either the current or the following period, as determined for the account maintained with each Custodian on a consistent basis.

#### NEGOTIABILITY OF FEES & OTHER TERMS

For the RDP Wrap Program, Proprietary Wrap Program and the Third-Party Wrap Program, we have the discretion to negotiate our fees, minimum account size, minimum annual fees, and other terms of each client's relationship with us, and to negotiate different fees, minimums, or other terms on a client-by-client basis.

When considering these matters, we usually consider the amount of assets to be placed under management by the client and related accounts, anticipated future revenues and anticipated future assets or other business from the client or related persons, and other existing or anticipated relationships. We may elect, in our discretion, to aggregate related client accounts for the purpose of achieving the minimum account size requirements and determining fees.

Because Advisory Fees and other terms of our programs and services may be negotiated separately with individual clients, some accounts pay lower Advisory Fees than other accounts. Waivers, discounts or more favorable terms not generally available to other clients may be offered to family members and friends of our Representatives, employees, and affiliates.

#### RISK OF LIQUIDATIONS TO PAY FEES

The Custodian will be authorized to deduct the Advisory Fees (and where applicable, the Program Fees) directly from the client's account, without notice to the client. If sufficient cash is not available in the account to pay these fees when due, the Custodian will liquidate securities selected by the Custodian or us without prior notice to the client. If mutual funds are liquidated, the client may be charged a contingent deferred sales charge, an early redemption fee, or a fee to discourage short-term trading of fund shares. If the liquidated securities have declined in value, the client will realize a loss and lose the opportunity for future appreciation of the securities.

#### ACCOUNTS WITH MORE THAN ONE CUSTODIAN

For accounts with assets maintained with more than one Custodian, we will usually calculate the value of the account and the Advisory Fees separately for each Custodian, as we determine in our discretion. The valuation method and time periods used to value the account and calculate Advisory Fees will be applied consistently for each Custodian, but may differ from the valuation method and time periods used to value the account or calculate combined Advisory Fees of other Custodians.

Except when we determine the fair value of an account or asset, as provided above, account value shall be determined by reference to the valuations provided by or available from each Custodian, as of the close of the last day of each period for which Advisory Fees are calculated. If the last day of a period for which we calculate Advisory Fees is different than the last day of a Custodian's reporting or statement period, we (or a Sponsor) may value the account maintained by such Custodian as of the close of the last day of the Custodian's reporting or statement date most recently ended on or before the close of the period for which Advisory Fees are calculated, as we shall select on a consistent basis for each Custodian.

## DEDUCTION OF FEES FROM CUSTODIAL ACCOUNT

The Advisory Agreement and the separate agreement for each Third-Party Program authorizes and directs the Custodian to deduct the Advisory Fees (and Combined Fees, where applicable) directly from the account upon receipt of our or the Sponsor's instructions. As part of our agreement with each Sponsor, the Sponsor may act on as our paying agent to value the account and calculate and direct the payment of our Advisory Fees to us. We request that clients authorize the Custodian to deduct the combined Advisory Fees and Program Fees from the account and pay us (or the Sponsor) directly. The amount of the Advisory Fee deducted by the Custodian will be reflected on the Custodian's regular statements to the client. However, clients may choose to have the fees billed to them directly, in lieu of deduction from the account; however, the client must agree that any fees not paid within 60 days will be deducted automatically.

## FEES IN ADVANCE & REFUNDS

In general, Advisory Fees are payable quarterly in advance; however, each Representative may negotiate the specific terms of the Advisory Agreement with the Representative's clients, including whether fees are payable in arrears or in advance, whether they are payable quarterly or monthly, and whether fees will be billed to the client in lieu of being deducted from the custodial account. In no event will we ask or require prepayment of Advisory Fees of more than \$1,200 per client six months or more in advance.

An Advisory Agreement may be terminated by the client or us at any time upon written notice to the other, as provided in the Advisory Agreement. If client terminates the Advisory Agreement within five business days of the effective date of the Advisory Agreement, Client shall receive a full refund of any prepaid Advisory Fees (refunds of Program Fees is controlled by the client's agreement with the Sponsor). If the Advisory Agreement is terminated more than five business days after the effective date, any prepaid Advisory Fees shall be prorated based on the number of days the Advisory Agreement was in effect during such quarter and the unused portion shall be refunded to Client within 30 days; any earned but unpaid Advisory Fees owed to us will be immediately due and payable upon termination.

After an Advisory Agreement has been terminated: client will be charged commissions, sales charges, and transaction, clearance, settlement, and custodial charges, at prevailing rates, by us and any executing or carrying broker-dealer; client will be responsible for monitoring all transactions and assets; and we shall not have any obligation to monitor or make recommendations with respect to the account or those assets.

## COMPENSATION FROM THE SALE OF SECURITIES AND OTHER PRODUCTS

Our firm receives 12b-1 fees in connection with mutual funds for advisory client accounts. This compensation is separate and in addition to our advisory fees; and a portion of the 12b-1 Fees will be paid to us and shared with the Representative. This practice presents a conflict of interest because we have an incentive to recommend mutual funds for which we receive 12b-1 fees rather than solely based on your needs. We and our Representatives can select or recommend, and in many instances will select or recommend to our advisory clients, mutual fund investments in share classes that pay 12b-1 fees when clients are eligible to purchase share classes of the same funds that do not pay such fees and are less expensive. This presents a conflict of interest. You are under no obligation, contractually or otherwise, to purchase securities products through our firm.

Each of our officers and Representatives is separately registered as a broker-dealer registered representative and many are also appointed as agents for life insurance companies. For accounts participating in the RDP Program and Proprietary Program, Pershing will share with AFP a portion of the "ticket charges" (trading commissions) it charges to execute transactions in client accounts.

Many of our clients maintain assets not managed through the Wrap Fee Program in separate brokerage or mutual fund accounts and work with their Representative from time to time to purchase individual securities and insurance products, such as fixed or variable insurance products, stocks, bonds, or other securities. In these transactions (referred to as "non-program purchases" because the assets are not included in the Wrap Fee Programs), the Representative and AFP, as a broker-dealer and insurance agency and broker, will receive separate, yet customary brokerage or insurance commissions.

Additionally, for these non-program purchases, AFP and our Representatives receive 12b-1 Fees that mutual funds charge their shareholders to pay for distribution and shareholder services. For certain types of non-program insurance or other investment products, Representative may also be eligible to receive incentive-type awards (such as trips).

You are under no obligation to accept any recommendation made by a Representative to purchase any nonprogram securities, insurance, or other investment products. If you wish to purchase such products, you may purchase them through any duly licensed and authorized broker-dealer, insurance agency or other financial services firm.

For accounts participating in the RDP Wrap Program and Proprietary Wrap Program, Pershing will share with AFP a portion of the "ticket charges" (trading commissions) it charges to execute transactions in client accounts.

We will also receive 12b-1 Fees as result of investment company investments by client accounts. Typically, the funds our Representatives recommend charge 12b-1 Fees; and a portion of the 12b-1 Fees will be paid to us and shared with the Representative.

#### *No Reduction or Offset of Advisory Fees*

We do not reduce or offset Advisory Fees by any 12b-1 Fees or other sales-related compensation we receive from Pershing, other Custodian, other brokers, mutual fund companies, or insurance company based on or as a result of a client's purchase or sale of securities, insurance, or other investment products, or based on the value of a client's account, free credit balance, margin account balance, or retirement account balances.

The only offset we apply is with respect to any solicitor's fee we receive from a Sponsor of a Third-Party Wrap Program for referring a client to such Third-Party Wrap Program, we will reduce the client's Advisory Fee by the solicitor's fee we receive.

The potential for us and our Representatives to receive compensation as a result of client purchases of investment products may impair our objectivity and provide an incentive to recommend investment products based on the compensation received, rather than on a client's needs. To address this conflict of interest:

- we disclose the conflict to our clients in this Brochure;
- we collect and maintain adequate information about our clients and their accounts, including their financial circumstances, investment objectives, and risk tolerance, and we conduct regular account reviews to confirm the designated portfolio is suitable;

- we periodically review holdings and strategies to identify significant disparities indicative of unusual treatment; and
- we educate our Representatives and employees regarding our fiduciary responsibilities, regardless of fee arrangement.

Clients are under no obligation to accept any recommendation made by AFP or our Representative to enter into any transaction or purchase any securities, insurance, or other investment products; clients have the option to purchase investment products that we recommend through other brokers or agents that are not affiliated with AFP. If a client wishes to purchase such products, they may complete the purchase through any duly licensed and authorized broker-dealer, insurance agency or other financial services firm.

### BROKERS FOR THE ACCOUNT

AFP will act as introducing broker and TD Ameritrade, Pershing, or another qualified custodian designated by a Sponsor (the "Custodian") will serve as custodian and broker-dealer for the account, except in the limited circumstances of a trade placed with a non-program broker (explained below)

In a Third-Party Program, the designated broker-dealer executes and clears purchase and sale orders placed by the account's portfolio manager, provides transaction confirmations, account statements, annual reports, prospectuses, and tax information, and maintains custody of client cash and securities. However, in the event that a portfolio manager reasonably believes in good faith that another broker or dealer will provide better trade execution considering all factors, including the net price, then it may execute the transaction through another broker (a "non-program broker"). In these circumstances, the account will be charged the separate brokerage commissions and other transaction costs of the non-program broker.

Brokerage arrangements for certain Third-Party Wrap Programs will be handled on the basis of "directed brokerage subject to most favorable execution." This means that the Client will direct all the portfolio manager of the account's assets to place purchase and sale orders through a specific broker-dealer.

When a client directs the use of a particular broker-dealer, the portfolio manager will not aggregate the client's orders with the orders of other clients. Orders for these accounts will not be placed until after orders have been placed for accounts that have not directed the use of a particular broker. As a result, the client will not receive the benefit of reduced transaction costs or better prices that may result from aggregation of client orders or earlier execution. Further, when the portfolio manager is directed to use a particular broker-dealer, it will not have the authority to negotiate commissions, obtain volume discounts, or seek price improvement from other brokerdealers.

Consequently, clients should understand that the direction to place orders with a broker-dealer may result in the portfolio manager not achieving most favorable execution of the client's transactions. This practice may cost the client more than if the portfolio manager had discretion to select the broker-dealer. A disparity may arise such that clients who direct brokerage may pay higher overall transaction costs and receive less favorable prices than clients who do not direct brokerage.

Notwithstanding a directed brokerage provision, these programs often authorize the portfolio manager to effect transactions with a non-program broker, if the portfolio manager believes that "best execution" may be obtained through such non-program broker.

In placing orders with a non-program broker, the portfolio manager's primary objective will be to obtain prompt execution of orders at the most favorable prices reasonably obtainable. In doing so, the portfolio manager may consider a number of factors, including, without limitation, the overall direct net economic result to the client, the financial strength, reputation and stability of the non-program broker, the efficiency with which the transaction is effected, the ability to effect the transaction at all, the availability of the broker to stand ready to execute possibly difficult transactions in the future and other matters involved in the receipt of brokerage services.

In these circumstances, however, the Client's account will be charged the separate brokerage commissions and other transaction costs of the non-program broker.

#### DISCRETION OVER ACCOUNT INVESTMENTS

In the Advisory Agreement for the RDP Wrap Program and Proprietary Wrap Program, Client will grant us, including the Representative, full discretion to manage the account without prior notice or consent of the client. The agreements with the Sponsor for the Third-Party Wrap Program also require the Client to grant the Sponsor and Manager discretion over the Client's account to fulfill its administrative responsibilities.

The Sponsor and the Managers are solely responsible for investing the account assets. Clients are required to grant Sponsor and the Managers selected for the account: full discretionary authority to invest and rebalance the account consistent with achieving the account's investment objective as they determine appropriate; to liquidate sufficient assets to pay the Advisory Fee, Program Fee, or any costs or expenses of the Third-Party Program; and to carry out the actions necessary or proper to fulfilling their responsibilities under the programs.

#### DIFFERENCES AMONG REPRESENTATIVES' ACCOUNTS

Representatives follow different investment strategies and styles, and adjust their investment selections depending on their clients' personal and financial situation, and the investment objective, risk tolerance, liquidity needs, and investment time horizon of the account they are managing.

Consequently, it is expected that with respect to the RDP Wrap Program and Proprietary Wrap Program, the levels of volatility, fees, expenses, returns, and performance will vary significantly among accounts managed by the same Representative and among accounts managed by different Representatives.

Representative will be acting on behalf of the Firm; and any discretion granted by the client to the Representative will be deemed to be granted to, and may be exercised by, the Firm. The Firm, as the Representative's supervisor, will have the authority to direct any act of the Representative in the performance of any service. Although the Representatives are supervised by the Firm and the Firm monitors the accounts of each Representative, the Firm does not direct or mandate the investment strategy or style followed by a Representative.

#### **B. Information About Wrap Fee Programs**

The RDP Wrap Program, Proprietary Wrap Program, and Third-Party Wrap Programs are offered as "wrap fee" programs. Wrap fee programs have important differences from traditional investment advisory arrangements.



In a traditional investment advisory arrangement, the investment adviser provides investment advisory services for managing the client's account, and then charges the client an advisory fee that is based on a percentage of the account's assets (referred to as an "asset-based fee"). When the investment adviser places trade orders with a broker-dealer to invest the account's assets, the account pays brokerage commissions for the broker's services in executing the trade plus related costs (all referred to as "transaction-based costs").

By contrast, in a wrap fee program, the client pays a single fee (the "wrap fee") that includes both the advisory services of the account's investment adviser and the brokerage services of the account's broker (subject to very limited exceptions stated in each program's agreements), and may also include custodial services of the account's custodian. The wrap fee is based on a percentage of the account's assets. In the Wrap Fee Programs, the total wrap fee is the combination of the Advisory Fee and the Program Fee.

Although wrap fee programs can be beneficial for some clients, they are not appropriate for everyone. Some clients may pay higher overall costs in a wrap program than in a traditional program where they pay separately for investment advisory services and brokerage costs. The benefits of a wrap fee arrangement depend on a number of factors, most particularly the amount of the wrap fee, the number and frequency of account trades, and the types of securities the account will trade.

Wrap fee programs calculate their fees based, in part, on certain assumptions regarding their expected brokerage commissions and other transaction costs. Clients who choose strategies with modest levels of trading would likely not incur sufficient transaction costs (if they paid commissions out-of-pocket) to justify the higher fees charged in a wrap fee program.

For example, a traditional program that emphasized the use of "no-transaction fee" mutual funds, for example, would incur very low transaction costs. Similarly, clients who do not expect their account to trade frequently or who have a relatively small number of trades each year may find a wrap fee arrangement to be more costly than paying the separate costs of brokerage commissions and fees for investment advice.

A wrap fee arrangement is more likely to be beneficial for accounts that expect relatively frequent trading, such as where the account intends to pursue an active trading strategy using securities for which the transaction costs are relatively higher. In that case, the single wrap fee may cost less than the combined investment advisory fees and brokerage commissions that would be charged in a traditional arrangement.

Clients are cautioned to review the information regarding the cost of the wrap fee (the combination of the Advisory Fee and the Program Fee), the anticipated level of trading of the strategy they select, the approximate transaction costs and advisory fees they might incur in a traditional arrangement, among the other matters discussed in this Brochure, to understand the costs and factors they should consider when deciding whether to participate in (or to continue to participate in) the Wrap Fee Programs.

No assumption should be made that any particular fee arrangement, such as a wrap fee arrangement or a portfolio management service of any nature will provide better returns than any other fee arrangement, service, or investment strategy.

Fees paid by clients in the Wrap Fee Programs may be more or less than fees charged for advisory, custodial or brokerage services offered separately, depending on the nature, size and frequency of account transactions, Managers, and other services.

Depending upon, among other things, the size of the account, changes in value over time, ability to negotiate fees or commissions, and the number of transactions, the amount of the wrap fee compensation may be more than what the Representative would receive if the client participated in other programs, or if the client paid separately for investment advice, brokerage and other services. Therefore, while wrap account compensation cannot be determined in advance, the Representative may have an incentive to recommend the Wrap Fee Programs over other programs or services.

Further, clients should consider that the wrap fee arrangement creates a disincentive to trade wrap fee accounts because the execution costs of each trade will reduce the potential profit from the wrap fee. A wrap program sponsor may have an incentive to limit referrals to or outright exclude from its program portfolio managers that trade actively.

### **C. Additional Fees & Expenses**

The Advisory Fees and the Program Fee are separate and distinct from a number of other expenses accounts will incur. These expenses include (not all accounts will have ETFs):

- Brokerage and Investment Expenses
- Cash Management Expenses
- Custodial Expenses
- Investment Company Expenses.

#### ***Brokerage and Investment Expenses***

Accounts will not pay commissions or other transaction charges for purchasing or selling securities. However, there are costs related to investments and maintaining the client's account, such as:

- the spread on principal trades (mark-up/mark-downs) that are received by brokers and other trading intermediaries involved in executing account transactions to buy or sell securities; and
- margin interest incurred in the client's account, and any fees charged by NFS for services that are not related to transactions in the account.

#### ***Cash Management Fees and Expenses***

Cash in a client's account that is awaiting investment or reinvestment may be invested in cash balance, money market fund, or deposit account at the Custodian (or their affiliate), pursuant to an automatic cash "sweep" program. We will receive compensation based on the balances of client accounts in such sweep accounts at Custodians. The possibility of compensation provides an incentive for us to invest client accounts to increase the compensation we receive. We will also receive compensation from money market funds or deposit accounts used for cash management purposes, and this also provides an incentive for us to invest the account so as to increase this compensation, which may not necessarily represent the optimal investment of the client's assets.

#### ***Custodial Expenses***

We will not have possession of the client's account assets. To participate in the programs, the account's assets must be maintained in an account (the "Custodial account") under client's name with the Custodian.

The Custodial account will be governed by a separate agreement between the client and Custodian, and client will be solely responsible for negotiating the terms of such agreement. The Custodial account will bear all fees and expenses of its Custodian and of transactions for such account, according to client's agreement with the Custodian, all of which will be separate from and in addition to the Advisory Fees.

Clients must pay the cost of services provided by their account Custodian for: (1) arranging for the receipt and delivery of securities that are purchased, sold, borrowed or loaned for the account; (2) making and receiving payments with respect to account transactions and securities; (3) maintaining custody of account securities; and (4) maintaining custody of cash, receiving dividends, and processing exchanges, distributions, and rights accruing to the client's account. The specific fees and terms of each Custodian's services are described in the client's separate Custodial Agreement.

### ***Investment Company Expenses***

Mutual funds, money market funds, and ETF's deduct from their assets the internal management fees, operating costs, and investment expenses they incur to operate the fund. These internal expenses generally include recordkeeping fees, and transfer and sub-transfer agent fees, among others. All of these represent indirect expenses that are charged to the fund's shareholders.

Frequently, these internal expenses also include "Distribution Fees." These amounts are deducted from the fund's assets to compensate brokers who sell fund shares, as well as to pay for advertising, printing and mailing prospectuses to new investors, and printing and mailing sales literature. Mutual fund internal expenses also commonly include "Shareholder Service Fees" which are amounts deducted from the fund's assets to pay the costs of responding to investor inquiries and providing investors with information about their accounts.

Distribution Fees and Shareholder Service Fees are referred to collectively as "12b-1 Fees," named after the SEC rule that adopted them. The 12b-1 Fees are calculated for each class of shares of a fund, and are calculated as a percentage of the total assets attributable to the share class. The 12b-1 Fees, investment management fees, and other ongoing expenses are described in the mutual fund's prospectus Fee Table. These fees will vary from fund to fund and for different share classes of the same fund. You can use prospectus Fee Tables to help compare the annual expenses of different funds.

ETFs are a type of investment company that aims to achieve the same return as a particular market index. They can be either open-end companies or unit investment trusts. ETFs are not considered to be, and are not permitted to call themselves, mutual funds. ETFs differ from mutual funds and unit investment trusts because shares issued by ETFs are bought and sold by investors on a secondary market. Unlike mutual funds, retail investors generally cannot tender their shares directly to the ETF for redemption because shares of ETFs are redeemable from the fund only in very large blocks (blocks of 50,000 shares, for example). The Programs may use ETFs to achieve market exposure consistent with the index on which the ETF is based. Investment returns and principal value will fluctuate so that an account's ETF shares, when sold, may be worth more or less than the original cost.

### ***Evaluate All Costs of Our Programs***

When evaluating the overall costs and benefits of the Wrap Fee Programs, clients should consider not just our Advisory Fees, but also the potential Brokerage and Investment Expenses, the Investment Company Expenses, and the Cash Management Fees and Expenses. Clients should consider carefully all of the direct and indirect fees and expenses of our services and the investment products we recommend to fully understand the total costs and assess the value of our services.

### *Purchases of Similar Products and Services from Other Firms*

Clients can generally purchase similar investment products or services through other firms that are not affiliated with us. Our Advisory Fees and the other costs of our programs are likely higher than amounts charged by other advisers or financial services firms for similar services and who may provide better performance or lower risk.

Clients may also purchase mutual funds or other investment products or services directly from mutual fund companies. The products may be available on a low or "no-load" basis. Although we do recommend "loadwaived" mutual fund share classes, they may carry 12b-1 Fees higher than a client may be able to obtain through a client's direct purchases from a fund company.

If a client chooses to purchase investments directly or through another intermediary, the client will not receive the benefit of the services we provide in determining which investment products or services may be appropriate in view of the client's financial situation, investment objectives, risk tolerance, and liquidity needs.

## **Item 5 ACCOUNT REQUIREMENTS & TYPES OF CLIENTS**

### MINIMUM ACCOUNT SIZES

The minimum account size is \$25,000, and most Third-Party Wrap Programs and Managers, have established minimum account sizes of at least \$100,000. The actual minimum account size required to implement a particular investment allocation, or to use particular investment managers may require a materially higher minimum account size. If a higher minimum amount is anticipated, the client will be notified prior to entering into the Advisory Agreement and the amount of the higher minimum amount will be stated in the account's Advisory Agreement. The client will have no obligation to enter into an Advisory Agreement or agree to an allocation or manager with a higher minimum account size.

### MINIMUM PROGRAM FEES

Some Third-Party Programs impose a minimum annual Program Fees. The client will be advised of the minimum Program Fee prior to entering to the Advisory Agreement or the Third-Party Wrap Program agreements.

We will not open a new account when the annual minimum Program Fee is expected to exceed the actual amount of Program Fee, unless you acknowledge the risk of such excess of the minimum annual fees over the actual Program Fees. However, we do not generally close an account previously opened because for this reason. You may terminate the account at any time according to the terms of the Advisory Agreement.

Annual minimum fees are expressed as annual amounts, but are determined and assessed based on the quarterly

Program Asset values used in determining Advisory Fees. For example, if an account has a \$2500 minimum annual Program Fee, it will be assessed a minimum fee of approximately \$625 every quarter. Therefore, if a client has large asset inflows or outflows during the year, depending on the timing of such transactions, it is possible for the account to be assessed a minimum fee for a particular quarter even if the account's average balance for the entire year is above the minimum asset value threshold.

## OUR CLIENTS

AFP's clients are comprised of individuals, high net worth individuals and their families, pooled investment vehicles, pension and profit sharing plans, charitable organizations, and other business organizations.

## **Item 6 PORTFOLIO MANAGER SELECTION & EVALUATION**

### **A. Selection & Review of Portfolio Managers**

Item 6.A asks us to describe our process for selecting and reviewing portfolio managers and our criteria for recommending or replacing the managers, including whether we refer to any industry standards to calculate portfolio manager performance, whether we review the portfolio manager's performance information to verify its accuracy, and if applicable, whether the information is calculated on a uniform and consistent basis.

With respect to the Third-Party Wrap Programs and Managers, we rely on the research and performance information provided by the Sponsors in reaching our decisions to recommend, select, and replace portfolio managers. The Sponsor conducts research with respect to the Managers, and is responsible for identifying and selecting the Managers that will participate in the Program. Each Sponsor provides information to us regarding each Manager's investment discipline and approach.

Below, we describe the processes that most Sponsors have generally represented to us that they follow in the selection and review of their Managers. We have not independently verified these procedures.

Sponsors generally follow a proprietary screening and evaluation processes that focus on quantitative factors such as historical performance and volatility, as well as factors such as a manager's reputation and approach to investing. The Sponsor will conduct periodic evaluations of the Managers. Sponsors have represented that they verify the information provided by the Managers by comparing it to other data from publicly available sources, as well as through proprietary technical, quantitative, and qualitative analyses, including attribution analysis and risk analysis. Each Sponsor maintains full discretionary authority to hire and fire the Managers.

We do not audit, verify, or guarantee the accuracy, completeness, or methods of calculation of any historic or future performance or other information provided by a Sponsor or any Manager. There can be no assurance that the performance information from a Sponsor any Manager, or other source is or will be calculated on any uniform or consistent basis, or has been or will be calculated according to or based on any industry or other standards.

Investment professionals at various investment management firms are a primary source of information to the Sponsors with respect to the Managers by providing quantitative and qualitative information. In addition, many Sponsors refer to publicly available databases to verify the information provided by the managers. However, Sponsors do not independently review the performance calculations of Managers and performance information of the Managers may not be calculated on a uniform basis.

### **B. Related Persons Acting As Portfolio Managers**

Item 6.B asks if we or any of our related persons acts as a portfolio manager for any program. If so, we are required to disclose whether they are subject to the same selection and review process as the other portfolio managers that participate in the programs.

The only "related persons" who act as portfolio managers for our clients' wrap accounts are our Representatives who serve as portfolio managers for RDP Wrap Program accounts and members of our Investment Committee or Senior Management who serve as portfolio manager(s) for the Proprietary Wrap Program accounts. All of these individuals are supervised persons. As such, refer to our response to the following Item which specifically addresses supervised persons who act as portfolio managers.

### **C. Supervised Persons Acting As Portfolio Managers**

Our Representatives serve as the portfolio manager for their respective RDP Wrap Program accounts, and members of our Investment Committee or Senior Management serve as the portfolio manager for the Proprietary Wrap Program accounts. Consequently, we are required to provide the following information in response to Item 6.C:

#### TAILORED SERVICES & RESTRICTIONS

We tailor our service and advice to the specific needs of the client, based on information about the client's personal and financial situation, and the account's investment objective, tolerance for risk, liquidity needs, and investment time horizon. The Representative assists the client to identify a suitable program and portfolio and will answer the client's questions about the program, the portfolio, and the client's account.

RDP Wrap Program accounts are reviewed continuously by the Representative assigned to the account, and regularly by a principal of the Firm. The Representative also conducts periodic evaluation of the portfolio for consistency with investment objectives and restrictions, and with the account's stated objectives and strategy.

Proprietary Wrap Program accounts are reviewed continuously by the Investment Committee (or a senior manager of the Firm) and regularly by the Representative assigned to the account. Individual accounts are reviewed periodically by the Representative for consistency with investment objectives and restrictions, and with the account's stated objectives and strategy.

Third-Party Wrap Program account performance is reviewed periodically by the Representative assigned to the account to evaluate whether the Manager(s) are managing the account in manner consistent with their stated strategy and investment objective. The accounts are reviewed at least annually by the Investment Committee (or Senior Manager) for consistency with the account's stated objectives and strategy.

For RDP Wrap Program and Proprietary Wrap Program accounts, we permit clients to impose reasonable restrictions on the types of securities we purchase for their account, and permit clients to change the restrictions by written instruction to us. Clients should be aware, however, that in the Third-Party Wrap Programs, the Managers may have different policies with respect to investment restrictions.

#### *Changes In Client Circumstances*

Clients are advised that changes in their personal or financial situation, investment objectives, tolerance for risk, or investment time horizon may cause the strategy or portfolio designated for the client's account to become no longer suitable. In the event of any material change in client's personal or financial circumstances, client should contact the Representative or us promptly so that we may assist in identifying another program, strategy or other investments that better meet the client's needs.

## MANAGEMENT OF NON-WRAP AND WRAP PROGRAMS

Accounts available through the wrap fee programs are not managed differently from accounts managed in nonwrap programs to the extent the same or similar investment strategy is available from the same Representative.

## PERFORMANCE BASED FEES AND SIDE-BY-SIDE MANAGEMENT

We are required to disclose information about any "performance-based" fee arrangements with clients, and any situations where we manage both accounts with performance-based fee arrangements and accounts without such arrangements. This creates a conflict of interest. Because we do not have any performance-based fee arrangements with our clients, we do not have further disclosures for this Item.

## METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

### *RDP Program & Proprietary Program*

We will generally invest RDP Wrap Program and Proprietary Wrap Program accounts in the following types of investments: fixed income and equity investments, consisting of mutual funds, money market funds, closed-end funds; inverse and leveraged ETFs; common and preferred stocks; as well as direct obligations issued or guaranteed by the U.S. Treasury, government agencies, or government sponsored enterprises; and if appropriate, "sweep" arrangements where cash balances are transferred into money market funds, money market deposit accounts, or bank accounts for cash management purposes, which may be advised by or maintained with the account's qualified custodian ("Custodian") or an affiliate of the Custodian.

For RDP Wrap Program accounts, each Representative is permitted to adopt his or her preferred method of analysis in developing the portfolios and selecting the securities, some of which are discussed below.

For Proprietary Wrap Program accounts, the Investment Committee will typically rely on the Signals we receive from our third-party Signal Provider and our evaluation of available and appropriate mutual funds (or other Portfolio investments) in managing accounts. In addition to the investment recommendations provided by the Signal Provider, we conduct our own internal evaluation and selection of appropriate fund families and other investments, and allocation of client account assets.

Proprietary Wrap Program investments may be selected or recommended on the basis of any or all of the following criteria: performance history; asset class and industry sector; the track record, management style and philosophy of the investment manager; the security's fee structure; the fund company's policies and limitations regarding excessive trading and penalties for early redemptions; the size of the investment in comparison to the size of the issuer; the fund company's trading restrictions, and our and our brokers' ability to place and execute orders and maintain records in an efficient manner, at reasonable costs. We may receive and rely on historic financial and other data from sources we deem to be reliable.

### *Third-Party Wrap Program*

For Third-Party Wrap Program accounts, AFP conducts initial due diligence and on-going monitoring for approval of the Program for use by our Representatives. The Representative evaluates which Third-Party Wrap Program and Managers is appropriate in making the recommendation to the client. The Sponsor evaluates and approves the Managers for the Sponsor's program. The Manager is responsible for trading the account.

The Representative will rely on the research and performance information provided by the Sponsor in reaching the decision to recommend a Third-Party Program and Manager. The Sponsor conducts research with respect to the managers and the various types of separately managed account strategies, model portfolios ("Third-Party Models"), securities that comprise the Third-Party Models, and provides information regarding each manager's investment discipline and approach.

Below, we describe the processes that each Sponsor has represented to us that it follows in the selection and review of Managers. We have not independently verified these procedures. Although each Sponsor's processes may differ in some aspects from the information below, the following is a general overview of the most commonly followed processes:

The Sponsors have represented that they follow proprietary screening and evaluation processes that focus on quantitative factors such as historical performance and volatility, as well as factors such as a Manager's reputation and approach to investing. Each Sponsor conducts periodic evaluations of the Managers available through their program. The Sponsor is responsible for verifying the information provided by the Managers by comparing it to other data from publicly available sources, as well as through proprietary technical, quantitative, and qualitative analyses, including attribution analysis and risk analysis.

We do not audit, verify, or guarantee the accuracy, completeness, or methods of calculating any historic or future performance or other information provided by a Sponsor or any Manager. There is no assurance that the performance information from a Sponsor or any manager, or other source is or will be calculated on any uniform or consistent basis, or has been or will be calculated according to or based on any industry or other standards.

The Sponsors evaluate Managers specializing in many different asset categories, such as: equities (both domestic and foreign); corporate debt; commercial paper; certificates of deposit; municipal securities; mutual funds; real estate investment trusts; and government securities. In addition, the Sponsors employ several publicly available databases from independent sources. These databases are used to verify the information provided by the Managers.

### METHODS OF ANALYSIS REPRESENTATIVES MAY USE

In addition to the methods of analysis provided by the Sponsors, following are typical methods of analysis that Representatives in any of our programs may use; however, clients should inquire of their specific Representative the particular method the Representative intends to use in managing the client's account. Each Representative may adopt the method of analysis he or she deems appropriate.

**Fundamental Analysis:** Fundamental analysis involves analyzing a company's income statement, financial statements and health, its management and competitive advantages, and its competitors and markets. The fundamental analysis school of thought maintains that markets may misprice a security in the short run but that the "correct" price will eventually be reached. Profits can be made by trading the mispriced security and then waiting for the market to recognize its "mistake" and re-price the security.



However, fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock. Therefore, unforeseen market conditions and company developments may result in significant price fluctuations that can lead to investor losses.

**Technical Analysis:** Technical analysis seeks to identify price patterns and trends in financial markets and attempt to exploit those patterns. Technical analysts follow and examine indicators such as price, volume, moving averages, and market sentiment.

**Mutual fund and ETF Analysis:** In analyzing mutual funds, we look at the experience and track record of the portfolio managers to determine if they have demonstrated the ability to invest successfully over periods of time and in different economic conditions. We also consider whether or not there is a significant overlap with the underlying investments held by other mutual funds. We monitor the mutual funds in an attempt to determine if they are continuing to follow their stated investment strategies. We also evaluate the fees of the portfolio managers and the internal expenses of the mutual funds to determine whether the client is receiving adequate value for these fees and expenses.

A risk of our mutual fund and ETF analysis is that, as in all investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a fund or ETF, managers of different funds in a client's account may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETF, which could make the fund or ETF less suitable for the client's portfolio. Moreover, we do not control the portfolio manager's daily business or compliance operations, and we may be unaware of the lack of internal controls necessary to prevent business, regulatory or reputational deficiencies.

#### *Management of Account Until We Receive Written Notice*

Unless and until the client notifies us in writing to designate a different portfolio for their account, to notify us of material changes in their Suitability Information, or to impose reasonable restrictions on the investment of their account, we will continue to manage the account according to the Suitability Information in our records. Clients should inform us promptly of significant changes in their individual or family circumstances or financial situation, or in the investment goals or objectives, investment time horizon, tolerance for risk, or liquidity needs of the account so that appropriate changes can be made.

#### *Risks of Inaccurate Information*

Our methods of analysis assume the accuracy of the information we analyze, such as ratings, financials, and research. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

#### INVESTMENT STRATEGIES & RISKS

For the methods of analysis and strategies we use, we have identified the material risks we believe are involved. Of course, we cannot guarantee these are the only risks of investing through our programs.

When deciding whether to participate or to continue to participate in one of our programs, prospective or current clients should feel comfortable that they have an understanding of how our programs work, the strategies we use, the risks of those strategies, the kinds of investments we use, the fees and expenses they will pay and the compensation we will receive, and the conflicts of interests that can potentially affect the advice we give.

We urge prospective clients to ask questions if they do not understand any of these points.

#### *Risk of Leveraged Funds and ETFs*

As the name implies, leveraged funds and ETFs seek to provide leveraged returns at multiples of the underlying benchmark or index they track. Leveraged funds and ETFs generally seek to provide a multiple (i.e., 200%, 300%) of the daily return of an index or other benchmark for a single day excluding fees and other expenses. In addition to using leverage, these funds and ETFs often use derivative products such as swaps, options, and futures contracts to accomplish their objectives. **The use of leverage as well as derivative instruments can cause leveraged funds and ETFs to be more volatile and subject to extreme price movements.**

#### *Inverse Funds and ETFs*

Inverse mutual funds and ETFs, which are sometimes referred to as "short" funds and ETFs, seek to provide the opposite of the performance of the index or benchmark they track. Inverse funds and ETFs are often marketed as a way to profit from, or hedge exposure to, downward moving markets. Some inverse funds and ETFs also use leverage, such that they seek to achieve a return that is a multiple of the opposite performance of the underlying index or benchmark (i.e., -200%, -300%). In addition to leverage, these funds and ETFs may also use derivative instruments to accomplish their objectives. **As such, inverse funds and ETFs are volatile and provide the potential for significant losses.**

#### *Risks Associated with Leveraged and Inverse Funds*

Risk associated with holding leveraged and inverse ETF's include, but are not limited to::

- **Use of Leverage and Derivative Instruments:** Many leveraged and inverse funds and ETFs use leverage and derivative instruments to achieve their stated investment objectives. As such, these funds and ETFs can be extremely volatile and carry a risk of substantial losses.
- **Most Leveraged and Inverse Funds and ETFs Seek Daily Target Returns:** Most leveraged and inverse funds and ETFs "reset" daily, meaning that they are designed to achieve their stated objectives on a daily basis. Due to the effect of compounding, the return for investors who invest for a period different than one trading day may vary significantly from the fund's stated goal as well as the target benchmark's performance. This is especially true in very volatile markets or if a leveraged fund is tracking a very volatile underlying index.
- **Higher Operating Expenses and Fees:** Investors should be aware that leveraged funds and ETFs typically rebalance their portfolios on a daily basis in order to compensate for anticipated changes in overall market conditions. This rebalancing can result in frequent trading and increased portfolio turnover. Leveraged and inverse funds will therefore generally have higher operating expenses and investment management fees than other funds and ETFs.
- **Tax Treatment of Leveraged and Inverse Funds and ETFs May Vary:** In some cases, leveraged and inverse funds and ETFs may generate their returns through the use of derivative instruments. Because derivatives are taxed differently from equity or fixed-income securities, investors should be aware that these funds may not have the same tax efficiencies as other funds.

## Non Traded companies

### **REITS**

A Real Estate Investment Trust (REIT) is a tax designation for a corporate entity which pools capital of many investors to purchase and manage real estate. Many REITs invest in income-producing properties in the office, industrial, retail, and residential real estate sectors. REITs are granted special tax considerations which can significantly reduce or eliminate corporate income taxes. In order to qualify as a REIT and for these special tax considerations, REITs are required by law to distribute 90% of their taxable income to investors. REITs can be traded on a public exchange like a stock, offered as a non-traded, public company or offered as a private placement. A Non-traded public company electing REIT tax status is registered with the Securities and Exchange Commission (SEC), but is not listed on an exchange. On the other hand a private company that elects REIT status is exempt from registration. As such, less information may be readily available to investors as with any private offering.

### **Business Development Companies (BDC's)**

A BDC is a form of publicly registered company in the United States that provides financing to small and mid-sized businesses. This form of company was created by Congress in 1980 as an amendment to the Investment Company Act of 1940. As a result, Congress created a new category of closed-end funds known as a business development company.

BDCs are closed-end funds that make investments in private, or in some cases public companies, typically with lower trading volumes, with investment objectives of providing for the possibility of capital appreciation and current income. BDCs are investment companies and answer to an independent board of directors. A BDC can trade on the market but can also be a public, non-traded company, just like a public, non-traded REIT. However, one difference is that unlike a REIT, a BDC cannot be a private offering.

BDCs, which essentially can be viewed as a hybrid between a traditional investment company and an operating company, represent a transparent portfolio of loans, similar in some sense to private equity or venture capital.

Publicly filing firms may elect to be regulated as a BDC if they meet certain requirements of the Investment Company Act. One such requirement is that a BDC must maintain at least 70% of its investments in eligible assets before investing in non-eligible assets. Eligible assets can include a domestic issuer that either does not have any class of securities listed on a national securities exchange, or has a class of equity securities listed on a national securities exchange, but has an aggregate market value of outstanding voting and non-voting common equity of less than \$250 million and, in each case, is not, with limited exceptions, a registered or unregistered investment company; or either:

- Does not have a class of securities that are "margin securities"
- Is controlled by a BDC and has an affiliated person of the BDC as a director
- Has total assets of not more than \$4 million and capital and surplus (shareholders' equity less retained earnings) of not less than \$2 million.

The majority of BDCs elect to be treated as a regulated investment company (RIC) for tax purposes. As a result, they must distribute at least 90% of their investment company taxable income, as defined by the Internal Revenue Code, to shareholders every year. A BDC can also receive tax exempt status on the 4% nondeductible federal excise tax if they:

- Distribute 98% of their ordinary income for each calendar year to their shareholders
- Distribute 98% of their capital gain net income in a calendar year to their shareholders
- Distribute any income not distributed in prior years

To continue to be treated as a RIC for tax purposes, BDCs must also:

- Continue to qualify as a BDC in accordance with the Investment Company Act of 1940
- Derive at least 90% of their gross income from dividends, interest, payments on securities loans, gains from the sale of stock or other securities, or other income derived from their business of investing in these stocks or securities
- Satisfy quarterly RIC diversification requirements by not investing more than 5% of their assets in any single security and no more than 10% of a given security's total voting assets. Following these same requirements, they also may not invest more than 25% into businesses they control or businesses within the same industry.

### ***Non-Traded Closed End Funds***

Like a public, non-traded REIT, a public non-traded closed end fund is not traded on the exchange. A closed end fund cannot elect REIT status and cannot be a private company. Like a BDC, a closed end fund is regulated under the investment act of 1940, but is unlike a BDC in terms of the type of investments it can hold. Basically, a closed end fund is a fund with a fixed number of shares, as opposed to an open end fund that creates and redeems shares on a daily basis.

### ***Non-traded Public Companies***

Other companies that are not organized as a REIT, BDC or closed end fund may be organized as a non-traded company, similar to a public company like Apple, except that the company does not trade on an exchange. This structure is sometimes used for offerings that are not real estate, such as specific sector offerings like clean energy.

### ***Risks Associated with Non-Traded Company Investments***

The risks of non-traded REITs, BDCs, non-traded closed end funds and non-traded public companies are varied and significant. Because they are not exchange-traded investments, they often lack a developed secondary market, making them illiquid investments. This could limit or restrict a client's ability to dispose of such investments in a timely manner and/or at an advantageous price. Consequently, a client should exercise caution to avoid over- concentration of their assets in these types of illiquid investments.

### ***Valuation and Advisory Fees Associated with Non-Traded Company Investments***

Ausdal may advise certain qualified clients to invest in non-traded REITs, BDCs, non- traded closed end funds or non-traded public companies. In order for these offerings to be purchased in an Ausdal advisory account, the distributor must provide advisory-class pricing for their products through a custodian. Generally this means that the distributor allows purchases at a price that "waives" the sales charge, or "load" therefore allowing Ausdal to include the product in the quarterly or monthly asset management fee billing established for the client's account.

The price of a non-listed security on your account statement provided by a custodian could potentially reflect the original purchase price and not any price or value from a secondary market, a repurchase offered by the sponsor, or the book value. The actual value of the investment on a secondary market or through a repurchase by a sponsor could potentially be significantly higher or lower than the original

purchase price contained on the account statement provided by the custodian. The asset management fee for non-traded investments included in your program may be based upon the current valuation set by the product sponsor, as reflected on the custodian's account statement. Due to the fact that non-traded investments are illiquid, the value is not easily or readily ascertainable or reported. As a result, the value shown on the account statement provided by the custodian is the most reliable method for determining the present value of the investment.

### ***Additional Compensation Received by Ausdal from Non-Traded Company Sponsors***

In addition to the monthly or quarterly advisory fee, Ausdal may receive additional compensation from the product sponsor, typically ranging from .08% to 1.00% of the dollar amount of the client's purchase. Sponsors may also provide Ausdal with additional compensation in the form of providing sponsorship and reimbursement of fees and expenses related to the firm's annual meeting. The additional compensation represents a conflict of interest due to the potential that the fee or expense reimbursement received from the sponsor could influence the firm's decision to recommend offerings by specific sponsors or the recommended dollar amount of a purchase.

#### ***Interest Rate Risk***

Interest rates may go up, causing the value of debt securities held by an account (or by any mutual fund, money market fund, or other fixed income security owned by the account) to decline. This is known as interest rate risk, which may be greater for securities with longer maturities. Again, this is a known risk factor for the Programs, depending on specific allocations.

#### ***Credit Risk***

The issuer (or other obligor) of a security owned by the account (or by any mutual fund, money market fund, or variable product owned by the account) may fail to pay principal or interest, or otherwise default, or may be perceived to be less creditworthy, or the security's credit rating may be downgraded, or the credit quality or value of any underlying asset may decline. This is known as credit risk. This risk is greater for high yield securities than for securities of higher credit quality. Accounts participating in the Programs may invest in high yield securities.

#### ***Prepayment Risk***

During periods of declining interest rates, the issuer of a security may exercise its option to prepay principal earlier than scheduled, forcing the account (or any mutual fund or money market fund) to reinvest in lower yielding securities. This is known as call or prepayment risk.

#### ***Extension Risk***

During periods of rising interest rates, the average life of certain types of securities may be extended because of slower than expected principal payments. This may lock in a below market interest rate, increase the security's duration (a calculation of a security's future payments designed to measure sensitivity to interest rate changes), increase the security's sensitivity to interest rate changes and reduce the value of the security. This is known as extension risk.

#### ***Liquidity Risk***

From time to time, as a result of economic, market, or issuer-specific reasons, one or more investments held by the account may become difficult to sell at a favorable price, and in certain adverse markets or economic conditions, may become difficult to sell at any price. The causes of a loss of liquidity may not be related to any specific adverse changes in the business of a particular issuer. These examples of liquidity risk.

### *Risk of Errors in Investment Decisions*

There is a risk that our judgment about the attractiveness, relative value, or potential appreciation of a particular market sector or security, or about the timing of investment purchases or sales, may prove to be incorrect, resulting in losses to the account.

### *Risk of holding cash balances for an extended period of time*

Some strategies may seek to improve long-term risk-adjusted performance by holding substantial cash balances for extended periods of time. However, because the account will continue to be charged Advisory Fees on the cash balances, and holding cash balances in this manner can ultimately reduce portfolio returns, especially in times when money market rates are extremely low.

### *Risk of Delays In Accounts*

For a variety of reasons, there may be periods of time when we will not be able to trade an account. For example, accounts may require several weeks after the Advisory Agreement is signed by all parties before we will be able to enter trades with the Custodian (and such period may be lengthened as a result of delays by client or third parties in transferring assets to the Custodian). Similarly, accounts that are transferred between Custodians, or whose registrations are changed, or that change Portfolios may experience periods during which we will not be able to trade the account. Further, there will likely be periods when we are not able to trade an account as a result of the Firm's administration, review, portfolio management, trade execution, or other handling of that account or the account for other clients.

During periods when we are not able to trade the account, we may receive a Signal that we may not be able to effect. As a result, the account may incur losses that would not have been incurred, or may miss profits or opportunities that would have been realized, if the account had been traded.

Following such periods, we will endeavor to trade the account and effect transactions so that the account reflects the Portfolio designated for the account, but such transactions may result in immediate losses for the account. We assume no responsibility for losses or missed profits or opportunities resulting from: the account not being traded during any such period; engaging in transactions so that an account reflects the Portfolio; or from implementing any instruction from the client.

Advisor does not guarantee that transactions will occur within any minimum period of time following receipt of a Signal or that transactions for any account will occur at the same time as transactions for other accounts. We will attempt, when reasonably able, to move all clients promptly following receipt of a Signal, but clients should expect that delays will occur, transactions for particular accounts may be delayed until after transactions for other accounts have been effected, and losses may be incurred or profits or opportunities may be missed, all at the risk (and potential benefit) of the client. Although with respect to any particular Signal or transaction, certain accounts may not be treated the same as other accounts, We will implement procedures to avoid particular accounts being treated unfairly over reasonable periods of time.

## RISK OF LOSS AND OTHER RISKS

The risks described below apply to all of our Programs.

### *Risk of Loss*

Investing in securities involves risk of loss that clients should be prepared to bear. Securities are not guaranteed and clients may lose money on their investments. We ask that clients work with us to be sure we understand their willingness and financial ability to bear the risks of their current investments and the investments we recommend for their account.

### *Insolvency of Brokers and Others*

Clients will be subject to the risk of failure of the brokerage firms that execute their trades, the clearing firms that such brokers use, and the clearinghouses of which such clearing firms are members. Although we believe the institutions we recommend have sufficient capital, there is no assurance this will continue to be the case.

### *Margin Transactions*

Although not expected to be used frequently, there may be occasions when the client's account will use a margin account offered by the Custodian to borrow sufficient funds to purchase a security for an account. This typically happens if sufficient cash is not available in the account to purchase the security and it is not advantageous to sell other investments. The use of margin carries risks that clients should understand. We do not expect to use significant amounts of margin or other leverage in our strategies; however, certain types of transactions may or must be executed through a "margin account."

In volatile markets, security prices can fall very quickly. If the net value of a client's account (less the amount the client owes to the broker) falls below a certain level, the broker will issue a "margin call" and the client will be required to sell the security (and other positions) or add more cash to the account. You could lose more money than you originally invested. Additionally, the client must pay interest on the margin balance owed to the broker until it is repaid in full. The amount of margin interest will diminish the client's profits and in some cases could cause net losses in the client's account.

### *Allocation of Investment Opportunities*

At times, there will be limited supply of an investment and we will be required to decide which accounts will be able to purchase the investment. Although we do not receive allocations of initial public offerings of stock (IPOs), this would be an example of a situation where demand for an investment opportunity could far outweigh supply. When supply is not sufficient to meet demand, we will be required to decide how which account will participate, and to what extent, in the allocation of the amount of the security we are able to acquire.

In determining which portfolios or accounts will participate or receive an allocation of a limited investment opportunity, we may consider and give greater weight to, among other factors, any one or more of the following factors: asset class or type of security; identity and industry sector of the issuer; market and economic conditions; quantity of the security available to us; available cash, liquidity needs, size, and investment objective of the eligible accounts; effective, current, or target yields, returns, spreads, coupon, duration, or credit quality; volatility (as measured by standard deviation, by comparison against a benchmark or index, or by other measures selected by us); actual, estimated, or target rates of return targets; liquidity, tax position, and investment restrictions; and current performance relative to target benchmarks compared to other portfolios or accounts relative to their target benchmarks. Such factors may be calculated, derived, or estimated by us or any third party or data source we believe is reasonably reliable.

Although the selection of one or more portfolios or accounts to participate in a particular investment opportunity may, in that instance, work to the benefit of the participating portfolios or accounts (and to the detriment of any non-participating portfolios or accounts), we will use reasonable efforts to manage all accounts and portfolios fairly and non-preferentially over time.

### *Risk of Trade Errors*

On infrequent occasions, an error may be made in a transaction for an account. For example, a security may be erroneously purchased for an account instead of sold. In these situations, if we are responsible for such error, our policy is to restore or return the account to the position it would have

been in had the trading error not occurred. Depending on the circumstances, various corrective steps may be taken, including but not limited to, canceling the trade, adjusting an allocation, or reimbursing the account.

#### *Changes in The Portfolios*

We may change, add, or remove portfolios (and the objectives or strategy of any portfolio) from time to time, without prior notice to the client. If a portfolio is changed or removed, we will designate for the account a suitable remaining portfolio, and will notify the client that such designation has occurred. If the client objects to such designation, we may terminate the Advisory Agreement and liquidate the account.

#### *Risks of Market, Economic, Political, or Regulatory Events*

As a general matter, the values of account assets may fall due to changes in general market conditions, such as real or perceived adverse economic, political, or regulatory conditions, inflation, changes in interest or currency rates or adverse investor sentiment. Adverse market conditions may be prolonged and may not have the same impact on all types of securities. The values of securities may fall due to factors affecting a particular issuer or the securities market as a whole. The risk to portfolios in the programs will depend on the specific portfolio allocation.

#### VOTING CLIENT SECURITIES

We require the client to retain responsibility for voting all account securities. We will not vote proxies, exercise rights, make elections, or take other such actions with respect to securities held for accounts we manage. If desired, a client may instruct us in writing to forward to the client or to a third-party materials we receive pertaining to proxy solicitations or similar matters. Upon receipt of the client's written instructions, we will use reasonable efforts to forward such materials in a timely manner. In the absence of a written request, we will discard proxy and related materials.

Clients may obtain proxy materials by written request to the account's Custodian. For information about how to obtain proxy materials from a Custodian, clients may contact us by email to [ausdal@ausdal.com](mailto:ausdal@ausdal.com), or by mail to the address on the front of this Brochure. However, we do not provide advice about the issues raised by proxy solicitations or other requests for corporate actions.

Similarly, we do not advise or exercise rights, make elections, or take other actions with respect to legal proceedings involving companies whose securities are or were held for a client's account, such as asserting claims or voting in bankruptcy or reorganization proceedings, or filing "proofs of claim" in class action litigation.

If desired, a client may instruct us in writing to forward to the client or a third party any materials we receive pertaining to such matters. Upon our receipt of such written instructions, we will use reasonable efforts to forward such materials in a timely manner. In the absence of a written request, we will discard such materials. Written instructions should be sent by email to [ausdal@ausdal.com](mailto:ausdal@ausdal.com), or by mail to the address shown on the cover page of this Brochure.

The Sponsors or Managers of Third-Party Wrap Programs may have different policies with respect to the voting of proxies. These policies will be stated in the Wrap Fee Brochure of the Sponsor or Manager delivered to the client.



## **Item 7 CLIENT INFORMATION PROVIDED TO PORTFOLIO MANAGERS**

Item 7 asks us to describe the information about clients that we communicate to the portfolio managers, and how often or under what circumstances we provide updated information.

At the opening of the account, the Representative collects the Suitability Information, which includes information about your personal situation, and the account's investment objective, tolerance for risk, and investment time horizon, among other characteristics. For the Third-Party Wrap Programs, this information is provided to the Sponsor, which is responsible for making it available to the Managers. We forward or update any changes in this information, as we receive it from you.

The Sponsor provides clients with quarterly reports that detail account holdings, transactions, and performance, and market commentary. Representatives will typically contact their clients on a quarterly basis, but at least annually, to review the account and inquire about changes in the client's financial information or investment objectives.

Clients are responsible for notifying us and their Representative if there have been any changes their personal situation or in the account's financial situation or investment objectives, liquidity needs, or risk tolerance, or if the client wishes to impose or modify any reasonable account restrictions.

## **Item 8 CLIENT CONTACT WITH PORTFOLIO MANAGERS**

Item 8 asks us to explain any restrictions placed on your ability to contact and consult with their portfolio managers.

Your primary contact with respect to the RDP Wrap Program and Proprietary Wrap Program will be your Representative. The Representative will be available to answer questions about the administration of the account and its investments. A member of the Investment Committee (or Senior Management, in the absence of the Investment Committee) is available for reasonable consultation. For orderly processing, requests for consultations should be made through the client's Representative.

With respect to the Third-Party Wrap Program, your primary contact will be the Representative. If a client has questions which the Representative cannot answer, clients are encouraged to contact the Sponsors directly, at the address or telephone number shown in the Third-Party Wrap Program documentation. Knowledgeable personnel are generally available to answer client questions.

However, should the client request a direct consultation, staff of the Sponsor and Manager personnel who are knowledgeable about the client's account and its management will be made reasonably available for consultation. For orderly processing, requests for consultations should be made through the client's Representative.

## **Item 9 ADDITIONAL INFORMATION**

### **A. Disciplinary Information**

We are required to disclose in Item 9 information about legal or disciplinary events involving the Firm or our management that may be material to evaluation of our advisory business or the integrity of our management.

On June 27, 2011 Ausdal Financial Partners, Inc. discovered that certain e-mail addresses were not being retained by AFP's then third-party email vendor. AFP promptly contacted the e-mail vendor to inquire why e-mails were not being retained. Ausdal learned that the e-mail addresses at issue had not been properly set up.

AFP promptly conducted a firm-wide undertaking to ensure that all of its representatives and associated person's emails would be captured by its existing e-mail vendor's system. On a going-forward basis, AFP was also able to recapture a number of the e-mails for certain of the AFP representatives and/or associated personnel that had not been captured and retained. This was made possible because these certain individuals had maintained emails on their personal hard drives. AFP self-reported this issue to FINRA, in writing, on July 15, 2011. AFP changed e-mail vendors as of October 28, 2011. All AFP representatives and associated persons were required to use the new e-mail vendor's platform as of January 1, 2012. AFP representatives were advised of this requirement at the AFP annual compliance meetings held on October 20, 2011 and November 10, 2011. AFP representatives work directly with AFP's new e-mail vendor to ensure that the representatives AFP email address is set up properly and is being captured and retained by the new e-mail vendor's system. AFP, upon receiving notice from the e-mail vendor that the AFP representative's e-mail address has been set up properly and e-mails are being captured and retained, then conducts its own testing to verify that all representative e-mails are, in fact, being captured and retained.

FINRA findings - Section 17(A) of the Securities Exchange Act of 1934 and Rule 17A-4, FINRA Rule 2010, NASD Rules 2110, 3110; the firm failed to retain some e-mail correspondence related to its business as a broker-dealer for over two years. The firm began using a new third-party provider to retain its e-mails and when the provider implemented the firm's e-mail retention system, it established e-mail addresses for the firm's personnel on its server. After the initial set-up, the firm was responsible for establishing new e-mail addresses on the server for several newly registered representatives and associated personnel and therefore failed to retain the e-mails of these representatives and associated personnel. The firm was able to retrieve e-mails for some of these representatives and associated personnel after it discovered that the e-mail addresses had not been established on the server. The firm allowed its registered representatives to use their personal e-mail addresses, as long as they forwarded securities related e-mails to any of the e-mail review boxes established by the firm. However, for a period, the e-mails sent to one of these e-mail review boxes were not retained. These e-mails were deleted on a weekly basis because the review box would become full and would not accept any additional e-mails. Without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings and therefore the firm was censured and fined \$25,000.

## **B. Other Financial Industry Activities & Affiliations**

### DISCLOSURES REGARDING REGULATORY REGISTRATIONS

We are required to disclose if the Firm is registered as a broker-dealer, futures commission merchant, commodity pool operator, or commodity trading advisor, or if our managers are registered as a representative of such a firm. We must also disclose pending registrations and registrations by our management as representatives of any such businesses.

The Firm is registered as an investment adviser and as a broker-dealer with the Securities and Exchange

Commission, and all of our investment adviser representatives are also registered as registered representatives.

## RELATIONSHIPS OR ARRANGEMENTS MATERIAL TO OUR ADVISORY BUSINESS

The principal business of AFP is that of a securities broker-dealer. As such, the company is actively engaged in the business of selling securities and is compensated for these sales through the payment of commissions. AFP is a member in good standing of FINRA and has been since 1979. Pershing, LLC, Schwab, TD Ameritrade, and Folio Institutional are all separately owned, independent from and unaffiliated with AFP.

### Probabilities Fund Management, LLC

AFP owns less than 5% of Probabilities Fund Management, LLC, the investment adviser for the Probabilities Fund. Robert B. Ausdal Jr., President of AFP, serves as a consultant to the PFM investment committee, a position for which he receives no compensation. AFP may benefit financially from advisory fees paid to PFM. As a result of AFP's economic interest in PFM, a conflict of interest exists where AFP or a Representative has an incentive to recommend investment in the Probabilities Fund based on the economic benefits to be received rather than based solely on the investment needs of the client. We address this conflict by disclosing it in this Brochure; we disclose to clients they have the right to decide whether or not to act on such recommendations, and if they choose to act on such recommendations, whether to purchase such products through AFP and a Representative or another broker-dealer, insurance agency, or financial institution of their choosing, which may charge less (or more) for such products; and we educate our employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to Clients.

### Life Insurance Sales

AFP and its Representatives are engaged in selling various insurance products through a number of different life insurance companies. The arrangements between the insurance companies and AFP are governed by standard agency contracts. Ausdal may receive compensation from advisory clients and others for the purchase of insurance products.

### Amplify Holdings, LLC

AFP has signed a best efforts selling agreement to participate in the private placement offering to accredited investors only of membership interests ("Interests") in Amplify Holdings, LLC ("Amplify"), a business that is being organized to acquire the assets of an Exchange-Traded Fund and to develop a financial services distribution company primarily focused on distributing ETFs. AFP will solicit the purchase of Interests by AFP advisory clients; however, any such purchases will be made through such clients' brokerage or other accounts which AFP is not managing as an advisory account(s). The Interests will not be held as assets in any advisory account and AFP will not purchase the Interests in any advisory account through the exercise of discretion.

Clients should understand that AFP has a conflict of interest because a principal of our firm and our Executive Vice President will "control" two of the three seats on Amplify's Board and will also own a significant percentage of its membership interests; consequently, AFP and Amplify may be deemed to be under common control. These individuals will earn compensation from Amplify that will be paid from amounts raised from investors, and AFP will earn selling compensation as a broker-dealer for the sale of the Interests, and the selling Representative will share in such compensation for selling the Interests, even if the investment is not successful for investors.

Additionally, Representatives of AFP will be authorized to sell to their advisory clients shares of Amplify's ETFs, which will result in financial benefit to principals and Representatives of AFP in cases where the principal and/or Representative personally has acquired interests in Amplify. Consequently, even though we have adopted procedures to ensure that all investments are suitable for the investor, it is possible that our judgment could be materially affected by the prospective of the financial gain.

#### Ausdal Financial Partners - Strategic Partners Program

AFP participates in joint educational and marketing efforts with select mutual funds, insurance companies, brokerage firms, investment management firms and other financial service providers. The Ausdal "Strategic Alliance Program" offers these firms exposure to AFP advisors via educational sessions and other meetings. Expenses associated with these events are funded through a fixed fee paid by partner firms. In any given year there are between 12 and 15 "Strategic Alliance" firms participating in the program with contributions ranging from \$5,000 to \$15,000 per firm. During the course of the year, partner firms are allowed:

- Business contact information for all AFP registered representatives
- Speaking Time at one AFP Quarterly Educational Meeting
- Participation in AFP's National Sales Conference (exhibition space and speaking time)
- Booth space at various other AFP functions

In general, these partners are selected based on the popularity of the products and services with AFP's registered representatives and advisors. In some cases, new "partners" are selected for inclusion based on AFP's assessment of the firms' potential value to AFP, its representatives and its clients. Strategic Alliance firms are not the sole participants in Ausdal meetings and events. Many other products and services are included in Ausdal meetings and events irrespective of financial support.

Although other product sponsors are granted access to AFP's meetings, as a result of AFP's economic interest in continuing to receive the significant payments by the Strategic Partners through the Strategic Alliance Program, a conflict of interest exists where AFP has an incentive to provide priority access to its Representatives to the Strategic Partners based on the economic benefits to be received rather than based solely on the investment needs of the client. We address this conflict by disclosing it in this Brochure; we conduct appropriate due diligence to ensure we have a reasonable basis for recommending a Strategic Partner to an appropriate client; we disclose to clients they have the right to decide whether or not to accept our recommendation and if they choose to act on such recommendation, whether to purchase such product through AFP and a Representative or another broker-dealer, insurance agency, or financial institution of their choosing, which may charge less (or more) for such products; and we educate our employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to Clients. The inclusion of a firm as a Strategic Partner does not necessarily mean their product or service will benefit any client and may serve only to benefit AFP and its advisors.

#### Recommendation or Selection of Other Advisers

We are required to disclose if we recommend or select other investment advisers for our clients and if so, whether we receive any compensation that creates a material conflict of interest. We must also disclose if we have other business relationships with those advisers that create material conflicts of interest, and describe the conflicts and how we address them.

We do not recommend or select other advisers, except in connection with the SMA Program and the Ausdal Wrap Fee Program. We do not receive any direct compensation from the Sponsors of the Third-Party Programs or any of the Managers in connection with the recommendation of any of the

advisers. All direct compensation is paid in the form of the Advisory Fees that are paid by the client, and the 12b-1 Fees, and other transaction-related compensation we receive in our capacity as a broker-dealer for the client accounts.

Nonetheless, through the SMA Program and Ausdal Wrap Fee Program, we have access to certain research and portfolio modeling tools that are made available to us, which tools we would not have access to if we did not refer clients to the Sponsors or Third-Party Programs.

Consequently, to the extent we may value the use of any of the Sponsor or Third-Party Program tools and research, there is a conflict for us to act in our own economic best interest, rather than in the best interest of our clients, by recommending and selecting the Sponsors, Third-Party Programs and Managers so we will continue to have access to these tools and research and do not have to arrange or pay for these services from our separate funds.

We address this conflict of interest by disclosing it in this Brochure. We also monitor our accounts and evaluate the quality and costs of the services provided by the Sponsors, Third-Party Programs and Managers who provide portfolio management services for our clients to determine whether our recommendation or selection of them continues to meet our fiduciary obligations.

Although we continue to believe that our selection of the Sponsors, Third-Party Wrap Programs and Managers meets our fiduciary obligations and is in the best interests of our clients, it is possible that our judgment could be materially affected by our desire to continue using these tools and services. For accounts managed through the Third-Party Wrap Programs, clients are not charged commissions or other direct transaction-related fees for the purchases and sales of securities in their accounts (except for transactions executed through non-program brokers); consequently, neither our Firm nor our Representatives will have an incentive to select strategies or Managers that involve a high level of trading in the client's account.

The Sponsors may have an incentive to select investment managers who tend to keep trading at relatively low levels because the Sponsor is responsible for paying such costs out of the Program Fee (except for costs for transactions through non-program brokers) and the lower such costs are kept, the more the Sponsor is able to retain of the Program Fee.

As part of our fiduciary obligation to put the interests of our clients ahead of our own, we have adopted the following steps to address these conflicts of interests:

- we disclose to you the existence of these conflicts of interest;
- we disclose to that you are not obligated to purchase any securities, insurance, or other investment products or services from our Representatives or us (in our capacity as a broker-dealer--outside of the Programs);
- we request that you keep updated the information you have provided regarding your personal and financial situation, and the investment objective, tolerance for risk, liquidity needs, and investment time horizon for the account that will be managed by us, and let us know of any reasonable investment restrictions you wish to impose on the account, and we conduct regular reviews of account investments;
- we require that our employees seek prior approval of outside employment so that we may detect conflicts of interests and ensure such conflicts are properly addressed;
- we periodically ask employees to certify information regarding their disclosed outside employment activities; and
- we educate our employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients.

## **C. Code of Ethics & Personal Trading**

### *Description of Our Code of Ethics*

We have adopted a Code of Ethics expressing our commitment to ethical conduct. Our Code of Ethics describes our fiduciary responsibilities to our clients, and our procedures in supervising the personal securities transactions of our supervised persons who have access to information regarding client recommendations or transactions ("access persons").

A copy of our Code of Ethics is available to our clients and prospective clients. You may request our Code of Ethics by email at [ausdal@ausdal.com](mailto:ausdal@ausdal.com) or by calling us at (800) 722-8732.

We owe a duty of loyalty, fairness, and good faith towards our clients and have an obligation to adhere not only to the specific provisions of the Code of Ethics but also to the general principles that guide the Code.

Our Code of Ethics includes policies and procedures for the review of our access persons' quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the Firm's access persons. Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our code also provides for oversight, enforcement, and recordkeeping provisions.

Our Chief Compliance Officer may grant exceptions to certain provisions contained in the Code where we reasonably believe the interests of our clients will not be materially adversely affected or compromised. Doubts arising in connection with personal securities trading should be resolved in favor of the client even at the personal expense of our employees.

Our Code of Ethics prohibits the misuse of material non-public information. While we do not believe that we have any particular access to material non-public information regarding publicly traded companies that would be subject to misuse, all employees are reminded that any such information may not be used in a personal or professional capacity.

The Firm and its principals, officers, affiliates, employees and Representatives may act as investment adviser for others, may manage funds or capital for others, may have, make and maintain investments in its or their own names, or may serve as an officer, director, consultant, partner or stockholder of one or more investment partnerships or other businesses, subject to compliance with the Firm's Code of Ethics. In doing so, the Firm or such persons may give advice, take action, and refrain from taking action, any of which may differ from advice given, action taken or not, or the timing of any action, for any particular client.

Neither the Firm nor any Representative has any obligation to purchase or sell, or to recommend for purchase or sale, any security which the Firm or any principal, officer, employee or Representative purchases or sells for his own account or for the accounts of other clients, unless such conduct is a fiduciary obligation.

### *Confidentiality Of Client Information*

Protecting the confidentiality of our customers' nonpublic information is paramount for the Firm. As such, we have instituted policies and procedures to ensure that nonpublic customer information is kept confidential. We do not disclose nonpublic personal information about our clients or former clients to any nonaffiliated third parties, except as provided pursuant to our privacy policies or as required by or permitted by law.

In the course of servicing a client's account, the Firm may share client information with service providers, such as Sponsors, Managers, Custodians, transfer agents, accountants, and attorneys. The Firm will share information about the client, the client's account, and account activity.

## **Recommendations Involving Our Financial Interests**

### *Probabilities Funds Management, LLC*

AFP owns an interest in Probabilities Fund Management, LLC (PFM), the investment adviser to the Probabilities Fund. Additionally, AFP's President is a consultant to the PFM Investment Committee, for which he does not receive any compensation. AFP will benefit financially from advisory fees received by PFM; consequently, AFP will benefit as the size of the Probabilities Fund assets managed by PFM grows. As a result of AFP's economic interest, a conflict of interest exists where AFP or a Representative has an incentive to recommend investment in the Probabilities Fund based on the economic benefits to be received rather than based solely on the investment needs of the client. We address this conflict by disclosing it in this Brochure; we disclose to clients they have the right to decide whether or not to act on such recommendations, and if they choose to act on such recommendations, whether to purchase such products through AFP and a Representative or another broker-dealer, insurance agency, or financial institution of their choosing, which may charge less (or more) for such products; and we educate our employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to Clients.

### *Amplify Holdings, LLC*

AFP has signed a best efforts selling agreement to participate in the private placement offering to accredited investors only of membership interests ("Interests") in Amplify Holdings, LLC ("Amplify"), a business that is being organized to acquire the assets of an Exchange-Traded Fund and to develop a financial services distribution company primarily focused on distributing ETFs. AFP will solicit the purchase of Interests by AFP advisory clients; however, any such purchases will be made through such clients' brokerage or other accounts which AFP is not managing as an advisory account(s). The Interests will not be held as assets in any advisory account and AFP will not purchase the Interests in any advisory account through the exercise of discretion.

Clients should understand that AFP has a conflict of interest because a principal of our firm and our Executive Vice President will "control" two of the three seats on Amplify's Board and will also own a significant percentage of its membership interests; consequently, AFP and Amplify may be deemed to be under common control. These individuals will earn compensation from Amplify that will be paid from amounts raised from investors, and AFP will earn selling compensation as a broker-dealer for the sale of the Interests, and the selling Representative will share in such compensation for selling the Interests, even if the investment is not successful for investors.

Additionally, Representatives of AFP will be authorized to sell to their advisory clients shares of Amplify's ETFs, which will result in financial benefit to principals and Representatives of AFP in cases where the principal and/or Representative personally has acquired interests in Amplify. Consequently, even though we have adopted procedures to ensure that all investments are suitable for the investor, it is possible that our judgment could be materially affected by the prospective of the financial gain.

## **Investments in Securities We Recommend to clients**

Individuals associated with the Firm may buy or sell securities for their personal accounts identical to or different from those recommended to clients. It is the policy of the Firm that no person employed by the Firm shall prefer his or her own interest to that of an advisory client or make personal investment decisions based on the investment decisions of clients. Subject to the Code of Ethics, the Firm and its employees are permitted to trade for their own accounts side-by-side and in block transactions with the Firm's clients in the same securities, and at the same time. We have adopted the procedures described below to address the actual and potential conflicts of interest raised by our policies.

## **Investments Around Time of Client Transactions**

Subject to the procedures in this section, the Firm and its employees are permitted to trade for their own accounts side-by-side with clients in the same securities at or around the same time as clients on the same trading day, and are permitted to aggregate trades for their proprietary accounts with trades for client accounts. The Firm, its employees, and its affiliates may buy or sell securities for their personal accounts identical to the securities recommended to clients.

In addition to the procedures described above, we have adopted the procedures described below to address these conflicts of interest or our policies described above:

- the Firm prohibits employees from knowingly purchasing or selling securities (other than mutual funds or other securities that are not treated as "reportable securities") immediately prior to client transactions, in order to prevent employees from benefiting from transactions placed on behalf of advisory accounts;
- no director, officer, or employee of the Firm shall buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment, unless the information is also available to the investing public on reasonable inquiry;
- no director, officer, or employee of the Firm shall knowingly prefer his or her own interest to that of an advisory client;
- the Firm maintains records of securities held by the Firm and its access persons. These holdings are reviewed on a regular basis by the Investment Committee;
- the Firm emphasizes the unrestricted right of the client to decline to implement any advice it has rendered (except where the Firm has entered an order pursuant to its exercise of discretionary authority);
- the Firm requires all employees to act in accordance with all applicable Federal and State laws and regulations governing registered investment advisory practices; and
- any individual not in observance of the above may be subject to discipline.



## **D. Review of Accounts**

### ACCOUNT REVIEWS

RDP Wrap Program account investments are reviewed continuously by the Representative assigned to the account. The Representative also conducts periodic evaluations of the portfolio for consistency with investment objectives and restrictions, and with the account's stated objectives and strategy.

Proprietary Wrap Program model Portfolios are reviewed continuously by the Investment Committee (or a senior manager of the Firm). Individual accounts are reviewed periodically by the Representative for consistency with investment objectives and restrictions, and with the account's stated objectives and strategy.

Third-Party Wrap Program accounts are reviewed periodically by the Representative for consistency with investment objectives and restrictions, and with the account's stated objectives and strategy.

More frequent reviews can be triggered by significant market or economic factors, or if the client notifies the Representative of changes in the client's financial situation, large withdrawals or significant deposits, or changes in the account investment objectives, liquidity needs, or risk tolerance. The Investment Committee (or a manager of the Firm) will be responsible for overseeing all reviews.

### CLIENT REPORTS

The Custodian will provide at least quarterly account statements, and many of the Sponsors of Third-Party Wrap Programs will provide quarterly reports that detail account holdings, transactions, and performance, and market commentary, as specifically stated in the terms and conditions of their separate agreements with the client.

## **E. Client Referrals & Compensation**

### **Arrangements with Third Parties**

#### *Pershing FundVest Program*

AFP has entered into an arrangement with Pershing whereby Pershing pays AFP a fee based on the value of client assets invested in the Pershing FundVest funds. This is a list of approximately 3000 funds from approximately 200 fund families. Investments can be made in the Fundvest funds without paying a load or a trading commission. These funds are called no transaction fee funds. This approach is possible because the funds participating in FundVest pay Pershing fees to be on the FundVest list. The payment of this compensation constitutes a conflict of interest. Consequently, in order to continue to participate in the FundVest arrangement, AFP may have an incentive to recommend to its clients that the assets under management by AFP be held in custody with Pershing and to recommend that clients place transactions for client accounts in the FundVest funds.

However, the FundVest fees are not shared with IARs. While AFP may have a competitive or other incentive to encourage reps to buy and hold FundVest funds over other investments for its clients' accounts, IARs have no incentive beyond the attraction of a no transaction fee option for their clients. Other brokerage firms/custodians (TD Ameritrade and Schwab) offer "No Transaction Fee" fund programs but do not pay AFP any fee for client participation in such programs. The payment of compensation by Pershing does not diminish AFP's duty to act in the best interests of its clients, including seeking best execution of trades for client accounts.

Our clearing firm, Pershing, provides many services on which we depend in offering advisory services to our clients in an efficient and cost-effective manner. AFP recommends Pershing to clients for custody and brokerage services. There is no direct link between AFP's participation in the Pershing's program and the investment advice it gives to its clients, although AFP receives economic benefits through its participation in the program that are typically not available to Pershing's retail investors.

*TD Ameritrade Institutional Program and Additional Services Addendum*

AFP participates in the institutional advisor program (the "Program") offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC ("TD Ameritrade"), an unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. Advisor receives some benefits from TD Ameritrade through its participation in the Program.

As disclosed above, AFP participates in the institutional customer program and AFP may recommend TD Ameritrade to clients for custody and brokerage services. There is no direct link between AFP's participation in the program and the investment advice it gives to its clients, although AFP receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors.

The benefits available through these custodians include the following products and services (provided without cost or at a discount): receipt of duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving Advisor participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to AFP by third party vendors. The custodian may also provide for business consulting and professional services for AFP.

Some of the products and services made available by the custodians through these programs may benefit AFP but may not benefit its client accounts. These products or services may assist AFP in managing and administering client accounts, including accounts not maintained at the custodian whose commissions paid for the product or service. Other services are intended to help AFP manage and further develop its business enterprise. The benefits received by AFP or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to the custodian. As part of its fiduciary duties to clients, AFP endeavors at all times to put the interests of its clients first.

Clients should be aware, however, that the receipt of economic benefits by AFP or its related persons in and of itself creates a conflict of interest and may indirectly influence AFP's choice of TD Ameritrade for custody and brokerage services. AFP receives certain additional economic benefits ("Additional Services"). These services are currently Orion Advisor Services LLC. Orion provides trading, billing and account data management services.

TD Ameritrade provides the Additional Services to AFP in its sole discretion and at its own expense, and AFP does not pay any fees to TD Ameritrade for the Additional Services. AFP and TD Ameritrade have entered into a separate agreement ("Additional Services Addendum") to govern the terms of the provision of the Additional Services.

AFP's receipt of Additional Services raises potential conflicts of interest. In providing Additional Services to Advisor, TD Ameritrade most likely considers the amount and profitability to TD Ameritrade of the assets in, and trades placed for, AFP's Client accounts maintained with TD Ameritrade. TD Ameritrade has the right to terminate the Additional Services Addendum with AFP, in its sole discretion, provided certain conditions are met. Consequently, in order to continue to obtain the Additional Services from TD Ameritrade, AFP may have an incentive to recommend to its Clients that the assets under management by Advisor be held in custody with TD Ameritrade and to place transactions for Client accounts with TD Ameritrade. AFP's receipt of Additional Services does not diminish its duty to act in the best interests of its Clients, including to seek best execution of trades for Client accounts.

While there is no direct linkage between the investment advice we give and services made available by these brokers, it is likely we would no longer have access to these services if we did not select these brokers for our discretionary accounts or recommend their services to our non-discretionary accounts. Consequently, we have an incentive to act in our own economic best interest, rather than in the best interest of our clients, by recommending and selecting these firms so we do not have to arrange or pay for these services from our separate funds.

We address this conflict of interest by disclosing it in this Brochure. We also monitor our accounts and evaluate the quality and costs of the services provided by our clearing firm, TD Ameritrade, Schwab, and Folio to determine whether our selection and recommendations for our client accounts continues to meet our fiduciary obligations. Although we continue to believe that our recommendations are appropriate for our clients, our judgment may be materially affected by our dependence on the services provided by these broker-dealers, particularly our clearing firm.

## **REFERRAL ARRANGEMENTS WITH THIRD PARTIES**

We refer clients to third-party advisers, as described above in connection with the Third-Party Wrap Fee Program and in our SMA Program, as described in our Form ADV Part 2A, available from a Representative or from us at the address on the front of this Brochure. In addition, from time to time, AFP will enter into agreements with unaffiliated individuals (Solicitors) that refer clients to the firm. All such agreements will be in writing and comply with the applicable state and federal regulations. For additional information, please refer to Form ADV Part 2A Section 14B.

## **F. Financial Information**

### PREPAYMENT OF \$1,200 SIX MONTHS OR MORE IN ADVANCE

Investment advisers who accept fees of more than \$1,200 per client, six months or more in advance are required to provide their clients an audited balance sheet.

Because we do not accept pre-paid fees exceeding \$1,200 per client, six months or more in advance, we have not provided a balance sheet.

### DISCLOSURE OF CERTAIN FINANCIAL CONDITIONS

SEC-registered investment advisers who have custody or discretion over client funds or securities, or who require prepayment of fees exceeding \$1,200 six months or more in advance must disclose any financial condition reasonably likely to impair their ability to meet contractual commitments to clients.

There is no financial condition that is reasonably likely to impair our ability to meet contractual commitments to our clients.

## BANKRUPTCY WITHIN PAST TEN YEARS

Advisers who have been the subject of a bankruptcy petition during the past ten years must disclose certain information about the matter.

We have never been the subject of a bankruptcy petition.

## AGREEMENT TO RECEIVE MANAGER BROCHURES

Clients have the right to receive the disclosure document, Form ADV Part 2A ("Manager Brochure") for any Manager who manages their Third-Party Wrap Program account. A Manager Brochure provides information similar to the types of information in this Brochure, such as:

- the types of services the Manager provides,
- any important conflicts of interest the Manager has with its clients and how the Manager deals with those conflicts,
- the types of strategies the Manager follows, its methods of analysis, and the types of investments it generally uses,
- whether it manages other accounts or funds that might receive preferential treatment in the allocation of investment opportunities,
- any prior disciplinary history of the Manager or its management personnel,
- how it votes proxies and deals with any conflicts of interest that arise when voting proxies,
- the basic terms of its Code of Ethics, and its general trading practices, among many other matters.

The Manager's Brochure is an important document that Clients are encouraged to read. The right to receive the Manager's Brochure should not be given up without careful consideration.

At the time you sign the Advisory Agreement, you will have the option (but not the obligation) to appoint the Firm as your agent to receive and maintain the Brochure for any Manager who manages your Program account.

If you do not choose this option, you will continue to receive any Manager Brochures, as required under current regulations. Even if you choose to exercise this option, you will still be notified of the identity of any Manager for your account.

At any time, you will have the right to cancel this option and receive a Manager's Brochure, without charge. To cancel the option, you must notify the Firm in writing, care of our President or Chief Compliance Officer, 5187 Utica Ridge Road, Davenport, IA 52807. You may contact us at (800) 722-8732, but the cancelation must be in writing.

Separately, you should be aware that at any time, you may receive a copy of a Manager's Brochure through the SEC's public Investment Adviser Public Disclosure website simply by searching the Manager's name and scrolling down the menu to find the link to the Manager's last filed "Part 2 Brochure:" [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## ELECTRONIC DELIVERY

Upon written client authorization, AFP may deliver any required regulatory notices and disclosures or correspondence via electronic mail or via AFP's Internet website. AFP shall have completed all delivery requirements upon the forwarding of such document, disclosure, notice or correspondence to the client's last provided email address (or upon advising the client via email that such document is available on AFP's website). Client may, at any time, notify AFP in writing that it does not wish to receive electronic communications and instead wishes to receive paper communications.