

# 1st Global Advisors, Inc.

*12750 Merit Drive, Suite 1200  
Dallas, TX 75251*

This Part 2A Appendix 1 of Form ADV: Wrap Fee Program Brochure provides information about qualifications and business practices of 1st Global Advisors, Inc. 1st Global Advisors, Inc. is a Registered Investment Adviser. Registration does not imply a certain level of skill or training.

If you have questions about the contents of this brochure, please call the 1st Global Compliance Department at (214) 294-5000 or e-mail us at [Compliance@1stGlobal.com](mailto:Compliance@1stGlobal.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 our company is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## IMS Prime Wrap Fee Program Brochure

May 21, 2019

# IMS Prime Program Wrap Fee Brochure

## Item 2 - Material Changes

This section of the wrap fee program Brochure will summarize the specific material changes that have been made since the previous version of the wrap fee program Brochure was published. The types of changes that will be discussed in this summary will relate to the nature of the material changes we made to our policies, practices, or conflicts of interest. This will help you decide whether to review all or only certain portions of the wrap fee program Brochure or to contact us with questions about the changes that were made.

The previous version of this Brochure, dated March 4, 2019, has been amended as follows:

We are amending the introduction of our Brochure to reflect a change in ownership. 1st Global Advisors, Inc. was established in 1992 and is a wholly-owned subsidiary of 1st Global, Inc. 1st Global Advisors, Inc. is an indirect subsidiary of Blucora, Inc., a publicly traded company (Nasdaq: BCOR).

### Special Product Considerations

Non-publicly traded REITs and LPs may be sold for a commission by individuals acting in their capacity as a registered representative. The commission may be roughly seven percent of the purchase price and reduces the number of shares owned. These same products are often also made available by investment adviser representatives at net-asset-value ("NAV") and included as a billable asset in a fee-based advisory account. This increases the number of shares owned but you may pay more than one percent on the value of the asset for 10 or more years. These products have no liquidity (therefore cannot be managed) and are designed to be held for ten or more years. Additionally, valuation methodologies for certain LPs are subject to substantial limitations and lack of uniformity and while valuation methodologies for non-publicly traded REITs have become more uniform (with the recent introduction of more detailed regulatory rules), in our view, those valuations are still not commercially practicable for use in a fiduciary environment as an appropriate billable value. For these reasons, we have chosen to exclude them as billable assets on our advisory platforms. These products may only be offered via commission through our affiliated broker-dealer by individuals acting in their capacity as a registered representative. In the event one of these products undergoes a liquidating event sooner than anticipated, you may end of paying more for the product by paying a commission. Conversely, if the product is owned for the anticipated holding period, you will likely pay more if it is sold to you at NAV and held as a billable asset in a fee-based advisory account. In order to obtain these products via NAV you will have to purchase them elsewhere.

We will provide you with a summary of any material changes to our wrap fee program Brochure by October 28 of each year. We may further provide other updated disclosure information about material changes, as necessary.

You may request a copy of our current wrap fee program Brochure at any time, without charge, by calling us at (214) 294-5000 or e-mailing us at [Compliance@1stGlobal.com](mailto:Compliance@1stGlobal.com).

Additional information about us is also available via the SEC's Investment Adviser Public Disclosure website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's website also provides information about any persons affiliated with us who are registered, or are required to be registered, as our investment adviser representatives ("IARs").

This brochure was last updated on May 21, 2019.

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## Item 4 – Services, Fees and Compensation

### Services

We are 1st Global Advisors, Inc. (1st Global). Through our network of affiliated investment adviser representatives (Advisor(s)), 1st Global offers comprehensive financial services to individuals, families, businesses and institutions. 1st Global specializes in partnering with CPA, tax, accounting, legal, and dedicated financial professionals.

1st Global Advisors, Inc. was established in 1992 and is a wholly-owned subsidiary of 1st Global, Inc. 1st Global Advisors, Inc. is an indirect subsidiary of Blucora, Inc., a publicly traded company (Nasdaq: BCOR). 1st Global Advisors, Inc. is an investment adviser registered with the Securities and Exchange Commission (SEC) under the Investment Advisers Act of 1940.<sup>1</sup> 1st Global is engaged in the business of providing ongoing investment advice and monitoring of client portfolios for fees. As an investment adviser, 1st Global is a fiduciary to our advisory clients. As fiduciaries, 1st Global is expected to manage portfolios in the best interests of clients; provide clients with undivided loyalty; make full and fair disclosure of all material conflicts of interest; seek best execution for client transactions; ensure that investment advice is suitable for clients' objectives, needs and circumstances; and refrain from effecting personal securities transactions that are inconsistent with client interests. If your account is a retirement account and subject to the Employee Retirement Income Security Act of 1974, 1st Global is also a fiduciary within Section 3(21) under the Employee Retirement Income Security Act of 1974 (ERISA), as amended. As ERISA fiduciaries, 1st Global is expected to provide advice that is in your best interest; only charge fees that are reasonable; and not make any materially misleading statements about recommended transactions, fees and compensation, conflicts of interest, or any other matters relevant to your investment decisions.

Our platform of investment advisory services is collectively known as Investment Management Solutions, or IMS. Through IMS, you have access to a wide range of investment products, including, but not limited to, mutual funds, exchange-traded funds (ETFs), common and preferred stocks, municipal, corporate and government fixed income securities, unit investment trusts, certificates of deposit and alternative investments such as fund of funds hedge funds, structured investments and private equity.

### Establishing an Account

In order to participate in the IMS Prime program, you will need to establish a brokerage account with 1st Global's custodian National Financial Services LLC (NFS). Trades may be referred to 1st Global Capital Corp., an affiliated broker-dealer under common ownership, for execution. You are advised that a conflict of interest exists since the broker-dealer will receive compensation on some transactions. All assets on the IMS Unified Choice program will be custodied through NFS.

You will also need to execute an Investment Advisory Agreement with us in order to participate in the IMS Prime program. The Investment Advisory Agreement outlines the services provided to you through this program, and the terms and conditions governing the investment advisory relationship with us. By entering into the Investment Advisory Agreement with us, you grant discretionary authority to us to initiate transactions for the account, as described in this Brochure and the agreement.

Security transfers can take several weeks to complete. Securities are subject to market price risk while in transfer phase. There is no guarantee that transferred securities (stocks, bonds, or mutual funds) can be liquidated in your best interest. Liquidating trades will be entered as market orders. No specific consideration is given to timing or price levels.

### Monitoring and Review

We manage the portfolio type and model portfolios to maintain consistency with your Statement of Investment Selection (SIS). We will monitor the performance of the account and the model portfolios/mutual funds/ETFs/hedge fund(s)/private equity/structured investments/bond ladders comprising the account. IMS Prime program accounts will be rebalanced annually. You grant us the authority to maintain the account in accordance with the portfolio type as stated in the SIS provided to you.

You will be provided with a custodial statement from NFS on a monthly or quarterly basis depending on activity in the account, which will include a detail of account activity during the month or quarter (including account holdings, contributions

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<sup>1</sup> Registration does not imply a certain level of skill or training.

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and withdrawals, and the value of the account at the beginning and end of the period). You will receive confirmations of the activity in the account.

1st Global is the sponsor of other wrap fee programs described in separate brochures.

## IMS Prime Program

The IMS Prime Program is a “wrap fee” program in that you pay a single fee for trade execution and portfolio management services. Wrap fee programs differ from other programs in that the fee structure for wrap programs is all-inclusive, whereas non-wrap programs include trade execution costs that are in addition to the advisory fees.

IMS Prime portfolios are diversified asset allocation models for Accounts with between \$5,000 and \$25,000 in assets, and will be implemented solely into exchange traded funds (“ETFs”). Client, with assistance of Client’s Advisor, will fully and accurately complete a Risk Profile Questionnaire (“Profile”) in the form provided by 1st Global, describing the Client’s financial situation, investment objectives, time horizon, risk tolerance and investment preferences. 1st Global and Advisor will utilize such Profile in rendering services to Client. Upon receipt of Client’s Profile, Advisor and Client will determine the appropriate portfolio type based on results of the Profile. Client will be provided with a Statement of Investment Selection (“SIS”) based on the results of the Profile. Your portfolio may be invested similarly to, or different from, other clients with the same or similar objectives.

1st Global and the Advisor will monitor market conditions and the performance of your portfolio. The Advisor will communicate any changes to you and reposition assets as needed. 1st Global will automatically rebalance your portfolio back to its original target percentages annually. Additional deposits of cash may trigger a rebalance. 1st Global will monitor IMS Prime accounts for unimplemented cash on a periodic basis, typically quarterly. There are no transaction costs associated with the available universe of ETFs within the IMS Prime Program. Please note, however, that a short-term redemption fee will be charged for any sales that occur within 30 days of the original purchase of the ETF. The fee is \$7.95 and is designed to reduce the likelihood of excessive trading in these investment products. 1st Global receives no portion of this fee.

IMS Prime portfolios are managed on a discretionary basis. 1st Global will have full authority to automatically rebalance the account according to the agreed upon target allocation and rebalancing schedule. This discretionary authority will include the authority, without first consulting you, to determine the amount of assets in each asset class in your account to buy or sell in order to rebalance the account back to its original target percentages, including the authority to buy, sell, select, remove and replace securities for the account.

Your IMS Prime account will be a discretionary account for which the Advisor need not seek your approval prior to purchasing or repositioning assets. The use of discretion requires specific written approval from us. In addition, you must provide written authorization to allow your Advisor to utilize discretion in the account. This is accomplished through the Investment Advisory Agreement.

Neither 1st Global nor the Advisor will have the authority to withdraw funds or securities from your account other than for payment of quarterly management fees as agreed to in writing by you.

## Program Choice Considerations

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

Investment recommendations and advice offered by our Advisors and us does not constitute legal, tax, or accounting advice. You should coordinate and discuss the impact of the financial advice you receive from our Advisors with your attorney and accountant. 1st Global acknowledge that our Advisors are commonly CPAs or other tax, accounting or legal professionals, therefore, acting as your CPA, tax or accounting professional or attorney, your Advisor may, in this capacity, provide legal, tax or accounting advice.

In general, your Advisor is responsible for delivering investment advisory services to you, and you generally deal with matters relating to your account(s) by contacting your Advisor directly.

Compensation to your Advisor and us may be more than the amounts 1st Global would otherwise receive if you paid for investment advice, brokerage, and/or other relevant services separately. Just as many Advisors offer management fee discounts to their larger clients, 1st Global will retain less of the investment advisory fee as our Advisor's total IMS platform assets under management increases. As Advisors grow their fee-based business within our suite of IMS programs, our economies of scale are shared with Advisors by reducing the percentage amount of investment advisory fees that 1st Global will retain. Our retention decreases as Advisors reach specified asset levels.

Fee-based advisory accounts closely align our interest and reduce the likelihood of churning, high-pressure sales tactics and recommending unsuitable transactions. Fee-based programs offer investors consistent and explicit monthly or annual charges and are designed for those that engage in at least a moderate level of trading activity. Fee-based programs have periodic, ongoing fees to support ongoing monitoring and advice regarding the assets in your account. This ongoing monitoring and advice is supported by features and benefits such as automatic rebalancing. The tools 1st Global makes available to your Advisor allow him or her to be proactive in the management of your assets. In a commission-based program there is no ongoing monitoring and advice. Once a transaction is complete the obligation to monitor that investment ends. The Advisor is available to assist you in the future but that assistance will be reactive in nature. Fee-based programs may not be a fit for certain investors. Accounts with low trading activity may be better off with a commission-based program. These accounts may be comprised mainly of bonds or mutual funds, but also could contain individual equities where the customer has a stated buy-and-hold strategy.

In determining the appropriateness of a fee-based program versus a commission-based program 1st Global will consider your financial status, investment objectives, trading history, size of portfolio, nature of securities held, and account diversification. 1st Global may also consider whether the fee-based program is appropriate in light of the services provided, the projected cost to the customer, alternative fee structures that are available, and the customer's fee structure preferences.

Recommendations implicit in model portfolios provided to us may reflect recommendations being made by a given asset manager contemporaneously to, or investment advisory decisions made contemporaneously for, other clients of the asset manager. As a result, the asset manager may have already commenced trading for their other accounts before we have received or had the opportunity to evaluate or act on asset manager's recommendations. In this circumstance, trades ultimately placed by us for you may be subject to price movements (particularly in the case of illiquid securities or large orders) that may result in you receiving prices that are less favorable than the prices obtained by the asset manager for its other accounts. On the other hand, we may initiate trading based on the asset manager's recommendations before or at the same time the asset manager is also trading for its accounts.

If the investment advisory, brokerage, custody and other services received under these programs were paid for separately, the actual costs could vary from the wrap fee paid depending upon such factors as, without limitation, the size of the account, the model portfolio, the number of transactions, and the number of model portfolios in the account. IMS Prime program account fees are determined by the Schedule of Fees attached to the Investment Advisory Agreement and incorporated as Exhibit B and are not negotiable. Comparable services may be available separately from other sources for fees lower or higher than those charged by us.

## Fees and Compensation

### 1st Global Earns Asset Management Fees for the Services We Provide

You will pay 1st Global and your Advisor an annual asset management fee (Client Fee) based on a percentage of assets under management (AUM) or a flat fee based on the value of your account if you elect to receive asset management services through one or more of our IMS programs. The maximum Client Fee that can be charged in any 1st Global managed account platform is 3% annually and the Client fee is generally negotiable. Certain managed account platforms have lower maximum annual fee amounts, and fee schedules will vary among platforms. In most cases, the Client Fee is payable quarterly in advance and is based on the AUM on the last business day of the previous calendar quarter. Certain managed account platforms charge fees in arrears and will have differing methods of computation. Please refer to the respective platform description below or to the respective client agreement for specific information about the maximum fee allowed, the varying fee schedules of each platform, and the methods of fee billing for the platform(s) you select.

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The person recommending this program will receive compensation as result of your participation in the program. The amount of this compensation may be more than what the person recommending the program would receive if you were to participate in any of our other programs or if you pay separately for investment advice, brokerage and other services. Therefore, the person recommending this program may have a financial incentive to recommend this program over other programs or services 1st Global offer.

Your Advisor may recommend that products on which they previously received a commission be converted to a fee-based advisory account. This recommendation could be deemed to be a conflict of interest, and we manage the conflict through written disclosure to you and by imposing reasonable controls designed to monitor for this activity. Generally, recently purchased A share mutual funds cannot be transferred to fee-based accounts. Other commissionable products can be transferred in-kind to an advisory account (i.e. equities and ETFs) but will have a look-back period. We do not allow the systematic conversion of recently purchased commission-based products to fee-based advisory accounts.

## IMS Prime Program

1st Global will charge an annual fee which may be a flat dollar amount based on the market value of the assets under management or a percentage of the assets under management in accordance with the Schedule of Fees attached to the Investment Advisory Agreement and incorporated as Exhibit B.

The Client Fee is paid quarterly. To calculate the fee, multiply each segment of the total fee by the quotient of the number of days in the calendar quarter divided by the number of days in the calendar year. The total Client Fee is the sum of the preceding fee amounts. Once the account value reaches \$50,000, you will be charged a percentage of assets under management. To calculate this fee, multiply each segment of the total fee by the value of the account on the last business day of the previous calendar quarter, then multiply that amount by the quotient of the number of days in the calendar quarter divided by the number of days in the calendar year. The total Client Fee is the sum of the preceding fee amounts.

Additional assets received into the Account during any billing period may be charged a pro-rata fee based on the number of days remaining in the billing period if the additional assets subject the Client's Account to a higher fee. Conversely, withdrawals from the account may result in a pro-rata refund based on the number of days remaining in the billing period if the withdrawal subjects the Client's account to a lower fee.

If a Client's IMS Prime Account grows past \$50,000, the Account will be assessed a fee based on a percentage of Client's assets under management ("AUM"), not to exceed 1.4% annually. Once Client's IMS Prime Account grows past the \$25,000 account opening maximum, Client may transition Client's Account to another 1st Global IMS program at any time subject to stated program minimums. Such a transition will require additional account paperwork and Client will be required to submit a new Risk Profile Questionnaire. If after a Client's IMS Prime Account grows past the \$50,000 threshold and is assessed a fee based on AUM, but at the time of the next billing cycle has fallen below \$50,000 in value, Client's IMS Prime Account will revert to the fixed fee pricing schedule.

1st Global receives a portion of the Client Fee.

The Client Fee does not include certain fees and charges related to account services provided by the custodian. The fees and charges for accounts held through National Financial Services LLC (NFS) are disclosed in the section titled Account Fees and Charges for Accounts held through NFS.

The Client Fee does not include "expense ratios" of Exchange Traded Funds. Specific information on the expense ratios of any Exchange Traded Funds may be found in their respective prospectuses. Please note that a short-term redemption fee of \$7.95 will be charged for any sales that occur within 30 days of the original purchase of the ETF. 1st Global receives no portion of this fee.

## Billing Practices

1st Global, through the account custodian, will typically debit the annual Client Fee from your IMS account automatically. The annual Client Fee will be payable first from free credit balances, money market funds, or cash equivalents, if any, and second from the liquidation of a portion of your securities holdings, pursuant to the discretionary authority granted by you to the Advisor and 1st Global. Rather than automatic fee debiting from your account, you also have the ability to be direct



billed by writing a check to us for the fee amount, or instructing us to charge the fee to one of your other 1st Global accounts. You will pay fees quarterly, typically in advance, based on the specific program selected by you.

You will be provided with an invoice that states the value of the assets, fee calculation and amount due or amount withdrawn (to pay fees earned by the IAR and us) only if you pay by check. Those clients choosing to pay by direct debit from the account or another account will not receive an invoice. You will receive a statement from the custodian, NFS, reflecting the withdrawal of fees. It is your responsibility to verify the accuracy of the fee as neither 1st Global nor the custodian do so. The amount of the advisory fee will also be reflected in the IMS quarterly performance report.

The Client fee is disclosed in the SIS. 1st Global reserves the right to revise the Client Fee upon 30-day advance written notice, prior to the quarter in which the change would become effective.

### Other Fees and Expenses

In addition to the charges noted above, you may also incur certain charges imposed by third parties other than us or the Advisor in connection with certain investments. 1st Global and/or your Advisor will receive a portion of these fees. These include, but are not limited to:

- Mutual fund or money market 12b-1 fees and sub-transfer agent fees;
- Mutual fund, ETF and money market management fees and administrative expenses;
- Mutual fund transaction fees;
- Certain deferred sales charges on previously purchased mutual funds transferred into the account;
- Other transaction charges and service fees;
- IRA and qualified retirement plan fees; and
- Other charges that may be required by law.

If you own mutual funds, the funds may charge early redemption fees if you liquidate fund holdings in your account within a certain period of time after investing them, typically within 30 to 180 days, depending on each fund company's policies. Early redemption fees may also be assessed on the sale of ETFs in our IMS Prime program if executed within 30 days or the original purchase of the ETF. The fee is \$7.95 and is designed to reduce the likelihood of excessive trading in these investment products. 1st Global receives no portion of this fee.

The fees that 1st Global charges are in addition to fees charged by any mutual funds in which you may invest. The mutual funds in your portfolio assess charges and fees at the fund level, including fees for investment management services and 12b-1 distribution charges that are permitted under Section 12b-1 of the Securities Exchange Act. You should be aware that these 12b-1 fees come from fund assets and thus, indirectly from your assets. **As a general matter, 1st Global credits the mutual fund 12(b)1 fees it receives back to the client accounts paying such 12(b)1 fees.**

### Account Fees and Charges for Accounts held through NFS

The following fees and charges apply for accounts held through NFS. Fees and charges are subject to change. Additional fees will apply for specific account features such as check writing, debit or charge cards, and bill pay services. Please refer to specific account documentation for further information.

*Full Retirement Distribution Fee* (\$125). This is a processing fee associated when a client makes a full distribution out of a retirement account.

*Full TOA Delivery Fee* – non-retirement (\$75). This is a processing fee associated with a complete transfer and delivery of assets out of a NFS brokerage or managed account.

*Margin Interest* (varies – see NFS Disclosure of Credit Terms on Transactions). Interest will be charged on all accounts for any credit extended to or maintained for customers by the firm for the purpose of purchasing, carrying or trading in securities or otherwise.

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## Termination and Advisory Fees

1st Global will charge the Client Fee in advance upon establishing the value of the portfolio based on the proportion of the number of days remaining in the quarter. Thereafter, 1st Global will charge quarterly fees based on the value of the portfolio on the last business day of the prior quarter or the date the custodian values the portfolio for the month-end statement at the end of the prior quarter. The value of the portfolio generally includes the value of all securities held in the account, including the value of money market mutual funds, but excluding non-billable assets.

The Client Fee is payable by you upon initial statement at the end of the prior quarter. The Client Fee payable upon initial implementation of the account is payable by you upon receipt of an invoice from us, or 1st Global collect them directly from the account or from another account of yours.

Pursuant to a fee authorization and initial power of attorney signed by you, 1st Global will calculate the Client Fee for all subsequent periods as of the last business day of the previous quarter. If your account does not contain sufficient funds to pay the Client Fee, 1st Global will have limited authority to sell or redeem securities in sufficient amounts to pay the Client Fee. You may reimburse the portfolio for fees that are paid from the portfolio. If you have chosen to pay upon receipt of an invoice, fees due and payable that have not been collected 45 days after receipt of the invoice will be debited from your account. Furthermore, if you fail to pay an invoice after a second notice, the account will be changed to be automatically debited each quarter.

You may terminate the agreement with us within five business days of signing the agreement without incurring any charges.

Furthermore, 1st Global or you may terminate the agreement at any time and for any reason, upon thirty (30) days written notice to the other party. You are responsible for fees during the period between notice and final termination, which is the end of the 30-day period. 1st Global may waive the Client's 30-day written notice requirement at our sole discretion. Accounts with no financial intermediary (no assigned financial advisor), will continue to pay our portion of the total Client Fee. This fee is to cover administrative and reporting services which may be provided until the account is transferred away from the Firm.

Upon notice of termination, 1st Global will await further instructions from you as to what steps you request to liquidate and/or transfer the portfolio and remit the proceeds. Upon instructions received, 1st Global will instruct brokers, dealers, mutual fund sponsors, and others to liquidate and/or transfer the portfolio and remit proceeds to you.

Upon termination of your IMS account, 1st Global will refund our unearned Client Fee on a prorated basis as detailed in the Investment Advisory Agreement.

1st Global cannot make any representation regarding investment features that may limit your ability to liquidate or transfer all or a portion of your portfolio. In these cases, 1st Global will consider your agreement terminated as per the language in the agreement and stated here. For information on features that may limit or impair the ability to sell or transfer an asset, you are advised to review the prospectus, offering document or participation agreement.

## Additional Compensation

Advisors of 1st Global Advisors, Inc. may also be Registered Representatives (RRs) of our affiliated broker-dealer, 1st Global Capital Corp. The majority of our Advisors are also RRs of our affiliated broker-dealer. Our Advisors may offer financial planning services at no cost or for a fee through our Method 10® Seasonal Planning Program. These recommendations may be implemented through the broker-dealer or us.

When implemented through the broker-dealer, RRs of 1st Global Capital Corp. receive commissions from the sale of investment products, including the sale of mutual funds. Mutual funds assess charges and fees at the fund level, including fees for investment management services and 12b-1 fees that are permitted under Section 12b-1 of the Securities Exchange Act. These charges principally cover advertising, promotion, and shareholder servicing expenses incurred by the fund. The amount of additional compensation paid by mutual funds in the form of 12b-1 fees can differ between funds and some funds pay no 12b-1 fees at all. RRs can receive all or a portion of these 12b-1 fees. Therefore, in the context of providing investment services in a commission based setting, the presence of these 12b-1 fees may present a potential conflict of interest because it may provide the RR with an incentive to recommend the investment products which include such fees.

When implemented through us, Advisors of 1st Global Advisors, Inc. do not receive commissions for the sale of investment products through our advisory platforms. Instead, they receive advisory fees based on the assets under management in the account.

NFS is the custodian of your account. We pay an asset-based fee to NFS based on average daily balances in all IMS accounts. The asset based fee we pay NFS does not apply to the following asset classes: NTF Funds, iNTF Funds, Fidelity Retail Funds, Cash and Cash Equivalents, variable and fixed annuity contracts sold through the NTF Annuity Processing Program and Non-Standard Assets, which include but are not limited to Foreign Securities, Alternative Investments, and Non-Marketable Securities. We can and do utilize these products in our accounts. A potential conflict of interest exists as 1st Global has a financial incentive to use these products over other products that are assessed the asset-based fee.

Your Advisor can be incentivized to join and remain affiliated with 1st Global. These incentives can include compensation arrangements such as bonuses and/or business transition loans in the form of a promissory note. Your Advisor may use this payment to help pay for expenses incurred during the transition of his or her book of business to 1st Global. Receiving this compensation is a conflict of interest as it provides your Advisor an incentive to join and remain affiliated with 1st Global based solely on this compensation and not on our ability to meet the needs of your Advisor and his or her clients.

### Revenue Sharing Arrangements

Companies for some of the mutual funds 1st Global sells participate in activities that are designed to help facilitate the distribution of their products. The marketing activities and educational programs provided by these mutual fund sponsors include, but are not limited to, attendance by fund representatives at our conferences, cash and non-cash marketing assistance paid to Advisors, and training and education presentations provided to Advisors about the fund's products and services. In return for assistance in facilitating the activities described above, 1st Global receives additional compensation, commonly referred to as "revenue sharing," from these fund companies. These fund companies are part of what 1st Global calls our Premier Partner Program. These revenue sharing payments are in addition to the commissions and distribution fees (known as 12b-1 fees), and other fees and expenses paid to your Advisor and us, as disclosed in the respective fund's prospectus. It is important to note, however, that these revenue sharing payments are paid out of the mutual fund company's or fund affiliate's own assets—not from the mutual fund's assets themselves—and, therefore, would not appear as items in a fund's expense table. No portion of these revenue sharing payments to us is made by means of brokerage commissions generated by the fund.

None of the revenue sharing payments received by us is paid or directed to any Advisor who sells these funds. Our Advisors do not receive a greater or lesser amount of cash compensation for sales of the products of those mutual fund companies that participate in our revenue sharing program, as opposed to those that do not make such payments. Because our Advisors receive no increase or change in compensation from selling shares of one fund over another, 1st Global does not believe that they are subject to a conflict of interest based on the amount of revenue sharing 1st Global receive from those companies.

Our Advisors, however, may receive reimbursements from mutual fund companies for certain marketing costs and may participate in training and education meetings sponsored by mutual fund companies. The cash and non-cash marketing reimbursements and training and education meetings paid for by mutual fund companies, whether or not the same mutual fund companies participate in our revenue sharing program, could lead our Advisors to focus more on those funds that provide the Advisor with marketing or training and education assistance, as opposed to those fund companies that do not make such payments. The mutual fund families that participate in our revenue sharing program are Invesco Funds, John Hancock Funds, Oppenheimer Funds, Prudential Funds and Franklin Templeton Funds.

While the revenue sharing arrangements with each fund family vary, each fund family may pay either; a) up to 25 basis points (0.25%) of the gross amount of each sale; b) up to 6.29 basis points (0.0629%) annually of the assets held at the fund family (for example, on a \$10,000 transaction with a participating fund family, 1st Global would receive a one-time \$25 payment, or a \$6.29 annual payment during each period in which the assets remain at that fund family); or c) a flat annual dollar amount.

Participating fund families may also be subject to certain minimum payments each year in conjunction with the program if minimum amounts of sales or assets are not met, and they may also make additional payments to us for attendance at various educational meetings hosted by us throughout the year.

# IMS Prime Program Wrap Fee Brochure

1st Global will earn a monthly distribution fee from NFS on all Fidelity Money Market Fund balances (including qualified retirement plans) at an annualized rate of the average net assets (calculated daily) of its customers beneficially owning shares in the following Fidelity Money Market Fund portfolios (Prime Fund, Tax-Exempt Fund, and Treasury Fund):

The Firm will earn the following Schedule 1 tiered distribution fee until such time that the Schedule 2 distribution fees meet or exceed that of Schedule 1. The Firm can only earn distribution fees from one Schedule at a time.

## Schedule 1:

<u>Tiered Avg. Fund Balances</u>	<u>Basis Points</u>
\$0 - \$1 billion	5
\$1 billion plus	7

(The maximum annual payout for Schedule 1 is \$750,000)

## Schedule 2:

<u>Average Fund Balances</u>	<u>Capital Reserve Class</u>	<u>Average Fund Balances</u>	<u>Daily Money Class</u>
\$0 - \$500 million	60 basis points	\$0 - \$500 million	35 basis points
\$500 million - \$1 billion	65 basis points	\$500 million - \$1 billion	40 basis points
\$1 billion to \$2 billion	68 basis points	\$1 billion to \$2 billion	43 basis points
\$2 billion +	70 basis points	\$2 billion +	45 basis points

Through a Rep Recruitment Credit, NFS will pay us an asset based fee for newly recruited financial advisors. The amount of the fee is 8 basis points and commences upon the first account being received from the prior custodian and for a period not to exceed 90 days thereafter. This fee is generally used by us to reimburse new advisors for costs associated with transferring accounts from one custodian to another, such as absorbing client account termination fees assessed by the former custodian. This fee may be retained by the firm or may be paid to advisors that chose not to absorb client fees. Such compensation is paid from NFS assets and does not reduce the amount invested by the client.

NFS pay 1st Global an annual Correspondent Business Development Credit after renegotiating our current clearing agreement. The annual payments will be made for a period of five years. A potential conflict of interest exist because other custodians may not offer such a payment.

## Core Account Sweep Program

1st Global offers a bank deposit sweep program (“BDSP” or “Program”) as our core account sweep vehicle. The BDSP is the core account investment vehicle for eligible brokerage accounts and is used to hold your cash balances while awaiting reinvestment. The cash balance in your eligible 1st Global brokerage accounts will be deposited automatically or “swept” into interest-bearing FDIC-insurance eligible Program deposit accounts (“Deposit Accounts”) at one or more FDIC-insured financial institutions (each a “Program Bank” or collectively, “Program Banks”). The BDSP is the only available core account sweep vehicle for eligible accounts. If you do not wish to use the applicable core account investment vehicle, we generally will not be able to maintain your account. You are not obligated to use any of our managed accounts and can select a managed account at another broker-dealer where similar programs may not exist. However, you would lose the benefit of having your account managed by your representative and 1st Global. We describe the BDSP in more detail below.

If your account is not eligible for this Program, we provide access to other core account investment vehicles, including money market funds, to hold cash balances waiting to be reinvested. 1st Global can receive a financial benefit (revenue sharing from the money market provider) if cash is placed into money market mutual funds which does present a conflict of interest. Your investment adviser representative will not receive any portion of any revenue received by 1st Global. Money market funds can lose value and have done so in the past. In addition, different core account investment vehicles can have

different rates of return and different terms and conditions, such as FDIC insurance or SIPC (Securities Investor Protection Corporation) protection. For more information on FDIC insurance, please consult [www.FDIC.gov](http://www.FDIC.gov).

The Bank Deposit Sweep Program offers FDIC insurance (FDIC Program). The maximum amount of FDIC insurance coverage for your deposits in the FDIC Program is \$2.5 million (for an individual account) or \$5 million (for a joint account). Funds deposited through the FDIC Programs are not eligible for SIPC coverage. Any deposits you maintain in the same insurable capacity, outside of the FDIC Programs but with a Program Bank, are aggregated with your deposits for purposes of determining the maximum applicable FDIC deposit insurance. You are responsible for monitoring the total amount of your deposits with each Program Bank to determine the extent of FDIC deposit insurance coverage available to you. If you are eligible to participate in the FDIC Programs, you can expect to receive the appropriate disclosure document when you establish your account and we encourage you to review it carefully.

The BDSP creates financial benefits for 1st Global and NFS. We will receive a fee from NFS in connection with the BDSP (equal to a percentage of all participants' average daily deposits at the Program Banks). Amounts will vary but in no event will they be more than 3.50% on an annualized basis as applied across all Deposit Accounts. The fees received from NFS are negotiated and may change. At our discretion, we may reduce or raise the rate paid to clients. From time to time, if the rate paid changes, you will receive notification of any such change. In addition to our fee, other service providers with respect to the Program will receive fees from each Program Bank (collectively, with the fees paid to us and/or NFS, "Program Fees"). In addition to the Program Fees referenced above, your brokerage account generally may be charged additional fees that apply to the securities accounts maintained by you.

The Program Banks use Program Deposits to fund current and new lending and for investment activities. The Program Banks earn net income from the difference between the interest they pay on Program Deposits and the fees paid to us and the income they earn on loans, investments, and other assets. As noted above, the Program Banks may pay rates of interest on Program Deposits that are lower than prevailing market interest rates that have been paid on accounts otherwise opened directly with the Program Bank. Program Banks do not have a duty to provide the highest rates available and may instead seek to pay a low rate. Lower rates will be more financially beneficial to a Program Bank. There is no necessary linkage between bank rates of interest and the highest rates available in the market, including any money market mutual fund rates. By comparison, a money market mutual fund generally seeks to achieve the highest rate of return (less fees and expenses) consistent with the money market mutual fund's investment objective, which can be found in the fund's prospectus.

The revenue generated by us may be greater than revenues generated by sweep options at other brokerage firms and may be greater than other core account investment vehicles that we have used in the past or may consider using in the future. In addition, we will make compensation payments to NFS, our clearing agent, for recordkeeping and other services with respect to amounts invested in the BDSP. NFS may receive more revenue with respect to amounts in the BDSP than with respect to other sweep products that we have used in the past or may consider using in the future.

As a result of the fees and benefits described above, the BDSP will be more profitable to us than other available sweep options, if any. We and/or NFS will also benefit from the possession and temporary investment of cash balances prior to the deposit of such balances in the Program.

Specific Program features and account eligibility of the BDSP are further explained in the Disclosure Document provided to all 1st Global clients. A current version of 1st Global's Core Account Sweep Program Disclosure Document is available at [http://www.1stglobal.com/sites/default/files/file\\_attach/TBS-Standard-Network-Disclosure.pdf](http://www.1stglobal.com/sites/default/files/file_attach/TBS-Standard-Network-Disclosure.pdf)

### State Specific Disclosures

For California Residents: Subsection (j) of Rule 260.238 of the California Code of Regulations requires that all investment advisers disclose to you that lower fees for comparable services may be available from other sources.

For District of Columbia Residents: Section 1811.1 Subsection (j) of the DC Rules requires us to disclose that lower fees for comparable services may be available from other sources. Subsection (k) requires us to indicate that all material conflicts of interest that relate to us or to any of our employees, and that would cause us not to render unbiased and objective advice, have been disclosed to you in writing via the disclosure provided in this Form ADV.

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For Massachusetts Residents: Massachusetts General Law Section 203A requires disclosure that information about the disciplinary history and the registration of us and our associated persons may be obtained by contacting the Public Reference Branch of the SEC at 202.942.8090, or by contacting the Massachusetts Securities Division at One Ashburton Place, 17th Floor, Boston, MA 02108 or at 617.727.3548.

## Item 5 – Account Requirements and Types of Clients

### Account Requirements

IMS Prime is available for accounts with an initial value between \$5,000 and \$25,000. Once Client's IMS Prime Account grows past the \$25,000 account opening maximum, Client may transition Client's Account to another 1st Global IMS program at any time.

1st Global may choose to waive these minimums at our sole discretion as circumstances dictate. The most common reason 1st Global waives these minimums is when additional deposits to meet the minimum are forthcoming.

### Types of Clients

1st Global generally provides advisory services to individuals (other than high-net-worth individuals), high-net-worth individuals, corporations and other businesses, pension and profit sharing plans and charitable organizations. The majority of our clients are retail clients that fall under the category of "individuals (other than high-net-worth individuals)."

## Item 6 – Portfolio Manager Selection and Evaluation

Your Advisor will serve as portfolio manager for your IMS Prime program account.

Your account will initially be implemented into an asset allocation model with pre-selected ETFs. These asset allocation models range from ultra-conservative to aggressive growth and the asset allocation used for initial implementation will correspond with your risk profile. You and your Advisor may choose at any time to deviate from the initial allocation so long as the new allocation continues to correspond with your risk profile. Your Advisor may utilize the 1st Global created risk profile asset allocation models of ultra-conservative, conservative, growth, moderate, growth or aggressive growth when creating your portfolio. The process behind the construction of these risk profile asset allocation models is described later in this section.

### 1st Global Philosophy – Types of Advisory Service

1st Global Advisors' has long believed in the power of strategic asset allocation, as such, 1st Global has worked with Dr. Harry Markowitz in the development of the firm's asset allocation models. Dr. Markowitz is best known for his pioneering work in "Modern Portfolio Theory" and the general investing concepts of multi-asset class investing and diversification when rational investors construct long-term investment portfolios. As the recipient of the 1990 Nobel Memorial Prize in Economic Sciences for his work on the concept of efficient portfolio construction, Dr. Markowitz paved the way for a paradigm shift of how investors can combine risky yet somewhat uncorrelated securities into a portfolio with better risk characteristics than the individual parts.

Thus a large part of our firm's investment philosophy is based on the principle of diversification. Diversification simply means "not putting all of your eggs in one basket" or, in investment terms, keeping the fortunes of any single investment from having a significant impact on your own portfolio. While past performance is not a guarantee of future performance and diversification of assets does not always protect portfolios from losses, Dr. Markowitz's work laid the foundation for how trillions of dollars around the world are invested today. With a long-term time horizon, and solid beliefs about the return expectations, return patterns and related interaction effects among securities (or asset classes), it is possible to construct investing portfolios that will provide the highest expected return for a given amount of "risk" (as measured by the dispersion of returns around the mean) or stated another way, portfolios could be constructed to have the minimum amount of risk for a given required level of expected return.

Therefore 1st Global believes that a proper understanding and application of a long-term strategic asset class allocation (e.g. different types of stocks and bonds) coupled with efficient diversification (the right amount of each security or asset class based on an investor's preferences) is the best way to pursue your investing goals. Most investors are better served

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by focusing on long-term saving objectives and must be disciplined and steadfast in the pursuit of growing and protecting their wealth to overcome the ravages of future inflation and uncertainty about one's own ability to spend their human capital during their working years.

Modern portfolio theory states that no investments are "always" imprudent. Rather, research demonstrates that investment returns correlate strongly with risk and that it is only by accepting "risk" into the portfolio and satisfactorily diversifying the portfolio of investments that you can truly grow, preserve, and protect against taxes and inflation in your portfolio. Because risk and return are linked, your main task is not to avoid risk but to manage it prudently; in other words, to define risk and return objectives reasonably suited to the account and to evaluate and make decisions respecting asset classes and individual securities in the context of the portfolio as a whole.

Since 1992, 1st Global has viewed strategic asset allocation and intellectual rigor as the cornerstone of successful investment management programs. The resulting risk Profiles are labelled as: ultra-conservative, conservative, moderate, growth and aggressive growth.

### Due Diligence Process for 1st Global Advisors' Asset Allocation Models

1st Global implements your accounts according to five multi-asset class model portfolios, each representing a specific investor profile. On at least an annual basis, our Investment Management Research Group (IMRG) reviews the model inputs (expected returns, standard deviations and correlations) to verify the diversification contributions of each of the asset classes within the models. The IMRG is comprised of experienced and credentialed investment professionals. At 1st Global, the IMRG's recommendations for the IMS Select and IMS Unified Choice program are overseen by the 1st Global Advisor's Investment Committee (1GA IC). The RMS Select Portfolios and the RMS Total 401(k) program is overseen by a different Investment Committee known as the RMS Investment Committee. The IMRG is also responsible for recommendations to the RMS Investment Committee.

### Calculating Performance

Account performance is calculated utilizing a portfolio accounting system. The Modified Dietz method is used to calculate performance resulting in a time weighted rate of return. Performance is calculated when cash flows in or out exceed 10% of a portfolio's market value and/or from month to month. On a quarterly basis we will perform an audit and reconciliation of all portfolio performance returns. We do not conform to GIPS standards for performance reporting.

### Restrictions on Types of Investments

The only products available in this program are exchange traded funds.

### 1st Global Tailors our Advisory Services to the Individual Needs of Clients

Our IMS platform is designed to provide you with an orderly, disciplined approach to the investment process. IMS offers a personalized program for investing, with customized portfolios, access to world-class asset managers and consolidated account performance reporting.

1st Global provides you with portfolio construction, asset management, and monitoring. Monitoring constitutes an ongoing process by which:

- Your investment objectives, constraints and preferences are identified and specified;
- Strategies are developed and implemented through combinations of financial assets;
- Capital market conditions and client circumstances are monitored; and
- Portfolio adjustments are made as appropriate to reflect significant changes in any or all of the above relevant variables.

# IMS Prime Program Wrap Fee Brochure

You, assisted by your Advisor, complete a risk profile questionnaire (Questionnaire) in the form 1st Global provides. The Questionnaire describes your financial situation, investment objectives, time horizon, risk tolerance and investment preferences.

1st Global asks that you promptly notify your Advisor of any material changes in the information furnished by you in the Questionnaire, including material changes to your financial situation, investment objectives, time horizon, risk tolerance or investment strategy.

1st Global uses the Questionnaire to provide services to you. Based on information in the Questionnaire, the Advisor and you will determine the appropriate risk profile type. 1st Global typically provides you with a Statement of Investment Selection ("SIS") based on the Questionnaire.

Our currently available Investment Management Solutions (IMS) risk profiles are designated as Ultra-Conservative, Conservative, Moderate, Growth and Aggressive Growth.

1st Global may change the existing risk profiles or introduce new risk profiles from time to time. You may change IMS risk profiles whenever you like, including when your objectives or risk tolerance change.

## Wrap Fee Program

The IMS Prime Program is a "wrap fee" program in that you pay a single fee for trade execution and portfolio management services. Wrap fee programs differ from other programs in that the fee structure for wrap programs is all-inclusive, whereas non-wrap programs include trade execution costs that are in addition to the Client Fee.

For the investment advisory services provided to you by your IAR and us, 1st Global and your Advisor receive a portion of the annual Client Fee you pay when you participate in any managed account program through us, including the wrap fee program.

## Performance-Based Fees and Side-By-Side Management

1st Global does not charge performance-based fees.

## Risk of Loss

Investment portfolios, programs, models, asset allocations, or strategies entail the risk of loss; and values and returns will fluctuate over time. While 1st Global seeks to limit any losses, there have been periods of loss in the past, and there will likely be periods of loss in the future.

1st Global and our Advisors emphasize that investment returns, particularly over shorter time periods, are highly dependent on trends in the various investment markets. Thus, our investment management services are generally suitable only for long-term investment objectives or strategies, rather than for short-term trading purposes.

Neither diversification nor asset allocation assure a profit or protect you against a loss, and there is no guarantee that your investment objectives will be achieved.

Our programs, portfolios, models, asset allocations and strategies are not FDIC insured and the investments in them may lose value.

All investment programs have certain risks that you bear. Our investment approach regularly keeps the risk of loss in mind. You face investment risks including:

- Interest rate risk: Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- Market risk: The price of a security, bond or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- Inflation risk: The risk is that the rate of inflation will exceed the rate of return on an investment.



- **Currency risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment risk:** This is the risk that future proceeds from investments may have to be reinvested at potentially lower rates of return (i.e. interest rate). This is primarily related to fixed income securities.
- **Business risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They generally carry a higher risk of profitability than an electric company, which may generate much of its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders or investors are frequently buying or selling that type of asset. For example, Treasury bills are highly liquid, while real estate properties are not.
- **Financial risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in cash crises, bankruptcy and/or declining market value.
- **Credit Risk:** Debt securities are also subject to credit risk, which is the possibility that the credit strength of an issuer will weaken and/or an issuer of a debt security will fail to make timely payments of principal or interest and the security will go into default.
- **Risks of investing outside the U.S.:** Investments in securities issued by entities based outside the United States may be subject to the risks described above to a greater extent. Investments may also be affected by currency controls; different accounting, auditing, financial reporting, disclosure, and regulatory and legal standards and practices; expropriation (occurs when governments take away a private business from its owners); changes in tax policy; greater market volatility; different securities market structures; higher transaction costs; and various administrative difficulties, such as delays in clearing and settling portfolio transactions or in receiving payment of dividends. These risks may be heightened in connection with investments in developing countries. Investments in securities issued by entities domiciled in the United States may also be subject to many of these risks.

There are risks inherent in all financial decisions and transactions. There is no guarantee that your investment objectives will be achieved.

Neither 1st Global nor our Advisors make any promises, representations, warranties or guarantees that any of our services to be rendered will result in a profit to you. 1st Global does not guarantee the future performance or any specific level of performance, the success of any investment decision or strategy that 1st Global or an Advisor may use or the success of our overall management.

Investment decisions that you make or that 1st Global will make for you are subject to various market, currency, economic, political and business risks. Our and your investment decisions will not always be profitable.

1st Global and our Advisors will not be liable for any loss incurred with respect to your account, except where such loss directly results from such party's negligence or malfeasance. Nothing in this section is intended to be a waiver of any right of action you may have under applicable securities laws or your rights in the event 1st Global or any of our Advisors breach any fiduciary duty owed to you.

### Voting Client Securities

With regard to the IMS Prime program, neither 1st Global nor Advisors will vote or give advice about how to vote proxies for securities held in your account. All proxy voting material will be forwarded to you for direct action.

# IMS Prime Program Wrap Fee Brochure

## Item 7 - Client Information Provided to Portfolio Managers

Information provided through your account opening paperwork helps your Advisor understand your goals, objectives and financial situation so that recommendations can be made to assist in meeting your financial goals.

## Item 8 - Client Contact with Portfolio Managers

Your Advisor is responsible for delivering investment advisory services to you, and clients generally deal with matters relating to their accounts by contacting their Advisor directly.

Our internal operations team will be made available to you and our Advisors for consultations regarding any of the asset managers through our principal office at 12750 Merit Drive, Suite 1200, Dallas, TX 75251, telephone 214-294-5000.

## Item 9 – Additional Information

### Disciplinary Information

In the last ten years, neither 1st Global nor any of our management personnel have been charged with or convicted of a felony or misdemeanor. In the last ten years, neither 1st Global nor any of our management personnel have been the subject of disciplinary action by the Securities and Exchange Commission, the Commodity Futures Trading Commission or any other federal or state regulatory or foreign financial regulatory agency.

### Other Financial Industry Activities and Affiliations

#### Affiliated Broker-Dealer

1st Global has an affiliated broker-dealer called 1st Global Capital Corp. In our industry, affiliated means “under common ownership or control.” The majority of our management persons and investment adviser representatives are also registered representatives (“RR”) of this affiliated broker-dealer. Depending upon the securities registrations held by each individual RR, our RRs offer a variety of securities and investments to their clients, including, but not limited to, mutual funds, Section 529 college savings plans, variable annuities, individual stocks and bonds, options, LPs, unit investment trusts, REITs, alternative investments, and a variety of other securities and insurance products approved for sale by 1st Global Capital Corp. Our principal executive officers devote approximately 50% of their time to brokerage activities and 50% of their time to investment advisory activities. Our affiliated broker-dealer has a fully disclosed clearing arrangement with NFS.

#### Material Relationships or Arrangements

1st Global executes substantially all trades through 1st Global Capital Corp., our affiliated broker/dealer.

As part of the IMS programs offered to you, 1st Global Capital Corp. provides brokerage execution services to our advisory clients. 1st Global and our Advisors make securities recommendations to you (or, in the case of discretionary services, make investment decisions for you) regarding our IMS programs. Where permitted by law, 1st Global may receive mutual fund 12b-1 fees, service fees, due diligence fees, marketing reimbursements, or other payments relating to your investment in or otherwise supporting our activities regarding the securities products recommended, purchased, or held in your IMS account. **As a general matter, 1st Global credits the mutual fund 12b-1 fees it receives back to the client accounts paying such 12b-1 fees.** To the extent 1st Global is the registered investment adviser or sponsor to your IMS program, 1st Global receive compensation for our services. You should be aware that these fees, payments, and other compensation presents a potential conflict of interest because 1st Global may have a greater incentive to recommend those investment advisory products or programs or make investment decisions regarding investments that provide such additional compensation to us.

NFS is the custodian of your account. We pay an asset-based fee to NFS based on average daily balances in all IMS accounts. The asset based fee we pay NFS does not apply to the following asset classes: NTF Funds, iNTF Funds, Fidelity Retail Funds, Cash and Cash Equivalents, variable and fixed annuity contracts sold through the NTF Annuity Processing Program and Non-Standard Assets, which include but are not limited to Foreign Securities, Alternative Investments, and Non-Marketable Securities. We can and do utilize these products in our accounts. A potential conflict of interest exists as 1st Global has a financial incentive to use these products over other products that are assessed the asset-based fee.

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Broker-dealer trading practices in the United States are regulated through the Financial Industry Regulatory Authority, Inc., or FINRA. FINRA is a private non-governmental organization that performs financial regulation of member broker-dealers and exchange markets. Under FINRA Rule 3280, registered representatives of 1st Global Capital Corp. are limited to executing transactions through their broker-dealer, 1st Global Capital Corp. You are advised that a conflict of interest exists because the broker-dealer receives compensation on these transactions.

#### National Financial Services LLC is our Primary Custodian

Assets are custodied through NFS.

#### Independent Registered Investment Advisers

Some of our Advisors are also owners or Advisors of their own or other's registered investment advisory firms. The clients to whom they offer our advisory services are frequently the same to whom they offer financial planning services. These financial planning services, separate from our Method 10® Seasonal Planning program, are offered for compensation. This compensation is paid to the independent Registered Investment Adviser and 1st Global receives no portion of this compensation. You are not obligated to use any of these individuals to provide financial planning services.

#### Accounting Firm

Our advisors may be separately licensed as accountants and may offer accounting services to advisory clients for compensation. This compensation is paid to the accounting firm. 1st Global receives no portion of this compensation. You are not obligated to use any of these individuals to provide accounting services.

#### Law Firm

Our advisors may be separately licensed as attorneys and, as such, may offer to provide legal advice for compensation. This compensation is paid to the law firm. 1st Global receives no portion of this compensation. You are not obligated to use any of these individuals to provide legal services.

#### Insurance Company or Agency

Some of our Advisors are agents and/or brokers of various insurance companies. Some individuals are able to effect insurance recommendations if you elect to have insurance recommendations implemented. These individuals receive compensation for insurance and/or annuity implementation. This compensation is paid to the agent. 1st Global receives no portion of this compensation. You are not obligated to use any of these individuals for insurance product purchases.

1st Global is related through common ownership to 1st Global Insurance Services, Inc. and Stephen A. Batman, General Agent. 1st Global Insurance Services, Inc. is a licensed insurance agency and may receive commissions in connection with the sale of fixed insurance products by Advisors who are licensed to sell these products. 1st Global Insurance Services, Inc., in addition to receiving commissions on the sale of these insurance products, receives payments from certain insurance sponsors for marketing, training and education, and distribution support.

#### Pension Consultants

Our advisors may offer pension consulting services to advisory clients for compensation. This compensation is paid to the individual providing the pension consulting services or an organization employing that individual. 1st Global receives no portion of this compensation. You are not obligated to use any of these individuals for pension consulting services.

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

#### Code of Ethics

Pursuant to Rule 204A-1 under the Investment Advisers Act of 1940, as amended, 1st Global has adopted a Code of Ethics that governs a number of potential conflicts of interest we have when providing our advisory services to you. Our Code of Ethics is designed to ensure that 1st Global meets our fiduciary obligations to you and to foster a culture of compliance throughout our firm.

Our Code of Ethics is comprehensive and is designed to help us detect and prevent violations of securities laws and to help ensure that 1st Global keeps your interests first at all times. 1st Global distributes our Code of Ethics to each supervised person at our firm at the time of his or her initial affiliation with our firm; 1st Global makes sure it remains available to each

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supervised person for as long as he or she remains associated with our firm; and 1st Global ensures that updates to our Code of Ethics are communicated to each supervised person as changes are made.

Our Code of Ethics sets forth certain standards of conduct and addresses potential conflicts of interest among 1st Global and our employees, agents, advisors, and advisory clients.

- Employees and advisory representatives shall comply with all applicable federal and state laws and all rules and regulations of any governmental agency or self-regulatory organization as well as our procedures governing his/her actions.
- Employees and advisory representatives shall comply with all laws and regulations, and our prohibition against insider trading.
- Employees and advisory representatives shall have and maintain knowledge of and shall comply with the provisions of our Code of Ethics.
- Employees and advisory representatives shall report any known violations of our Code of Ethics.
- Employees and advisory representatives reporting suspected violations will not be retaliated against for reporting a suspected violation.
- Employees and advisory representatives found to have retaliated against another employee or advisory representative for reporting a suspected violation will be subject to disciplinary action up to and including termination.
- Employees and advisory representatives shall act in a manner consistent with their fiduciary obligation to our clients and shall not deprive any client account of an investment opportunity in order to personally benefit from that opportunity.
- Employees and advisory representatives shall not engage in an outside business activity without the knowledge and approval of our compliance department.
- Advisory representatives, in making investment recommendations or taking any investment actions, shall exercise diligence and thoroughness, and shall have a reasonable basis for any such recommendation.
- Advisory representatives shall not attempt to improperly influence for their own personal benefit any investment strategy to be followed or investment action to be taken by us for your accounts.
- Advisory representatives shall not attempt to improperly use, for their own personal benefit, any knowledge, whether obtained through the advisor's relationship with us or otherwise, of any investment recommendation made or to be made, or of any investment action taken or to be taken by us.
- Employees and advisory representatives shall not disclose any non-public information relating to your accounts' portfolio or transactions or to our investment recommendations, nor shall any employee or advisory representative disclose any non-public information relating to our business or operations unless properly authorized to do so.
- Employees and advisory representatives shall not accept, directly or indirectly, from another party who transacts business with us or your accounts, any gifts, gratuities or other items of more than de minimus value.
- Employees and advisory representatives shall comply with the personal securities transactions provision of our Code of Ethics.
- Employees and advisory representatives shall not engage in short-swing trading or market timing.
- Employees and advisory representatives found to have violated the provisions of our Code of Ethics may be subject to sanctions up to and including restrictions on personal securities transactions, letters of reprimand, additional continuing education requirements, fines, suspension or termination.

- Employees and advisory representatives may also be required to disgorge any profits realized or losses avoided for transactions in securities that are inconsistent with the provisions of our Code of Ethics.
- Employees and advisory representatives found to have violated any of the insider trading provisions of our Code of Ethics may be subject to additional penalties under federal regulatory authorities including revocation of licenses and registrations, substantial monetary fines and/or imprisonment.

Our complete Code of Ethics is available by submitting a request in writing to 1st Global Advisors, Inc., 12750 Merit Drive, Suite 1200, Dallas, TX 75251 or by email to [compliance@1stglobal.com](mailto:compliance@1stglobal.com).

### Participation or Interest in Client Transactions and Personal Trading

Generally, 1st Global does not buy or sell securities for our own account that 1st Global recommends to (or purchase or sell for) you. Our Advisors, however, may purchase or sell for their own accounts securities or other investment products that are also recommended to you, which may create a conflict of interest. 1st Global always give a higher priority to your transactions than our own transactions. When 1st Global or an Advisor recommend trades to you, and 1st Global, the Advisor or related persons also plan to buy or sell the same security, 1st Global gives you the opportunity to decide on the recommendation and place a trade before 1st Global or a related person executes a trade in the same security. Also, if 1st Global or a related person has a trade to place for a personal account and trades to place for your accounts, the trades for you are always placed before the trades for us or related persons. 1st Global has implemented surveillance and exception reports designed to identify and correct situations in which the personal securities transactions of Advisors are placed ahead of yours.

### Brokerage Practices

#### General

1st Global renders investment advice to the majority of our IMS platform advisory clients on a discretionary basis, pursuant to written authorization granted by you. The majority of our advisory clients must select 1st Global Capital Corp., an affiliated broker-dealer under common ownership, as the broker-dealer of record for their IMS managed accounts. 1st Global maintains a clearing relationship for the execution of client transactions with NFS.

Our clients do not generally have the option to direct securities brokerage transactions to other broker-dealers or other account custodians. If, however, 1st Global were to approve the use of a broker-dealer other than NFS for the execution of securities transactions, you should be aware that 1st Global will generally be unable to negotiate commissions or other fees and charges for your account, and 1st Global would not be able to combine your transactions with those of other clients purchasing or selling the same securities (batched trades), as discussed further below. As a result, 1st Global would be unable to ensure you receive “best execution” with respect to such directed trades. 1st Global may also be unable to provide timely monitoring of transaction activity or provide you with quarterly performance reporting.

Not all investment advisers who have affiliated broker-dealers require you to use their broker-dealer to execute securities transactions. While our affiliated broker-dealer is able to negotiate competitive pricing with NFS that it believes is beneficial to you, 1st Global does receive an economic benefit from using our affiliated broker-dealer for our IMS platform accounts rather than an unaffiliated broker-dealer. For example, 1st Global adds our own costs to certain charges applied to your IMS accounts by NFS. 1st Global also maintains a core account sweep program with NFS. This program creates financial benefits for 1st Global and NFS as described in *Additional Compensation* in Section 5 – Fees and Compensation. This additional compensation received by our affiliated broker-dealer creates a conflict of interest with you. Additionally, even though 1st Global monitors the execution quality of our affiliated broker-dealer to ensure you receive the best combination of net price and execution, it is possible that better execution on a given transaction may be obtained from other sources. Execution quality can have an effect on the amount you pay for a given transaction. Favorable execution results in lower costs and unfavorable execution results in higher costs.

1st Global will not participate/vote in class action lawsuits on your behalf.

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## Best Execution

1st Global seeks to obtain, through our affiliated broker-dealer and clearing firm, the best combination of net price and execution when offering brokerage transactions for your account(s). 1st Global will periodically and systematically review NFS' execution quality and our own processes to ensure we continue to meet our best execution obligations for you.

A number of judgmental factors are utilized by us in analyzing overall trade execution quality. Such factors include, but are not necessarily limited to:

- The nature of the securities being purchased or sold;
- Access to market participants, which may be limited due to little or no trading activity for a particular security;
- The size of the transaction;
- The speed of the transaction;
- The ability to obtain price improvement;
- The desired timing of the transaction;
- The activity existing and anticipated in the market for the particular security;
- The execution, clearance, and settlement capabilities of the executing broker-dealer;
- The overall trade execution quality of the executing broker-dealer as compared with other leading executing broker-dealers;
- The executing broker-dealer's financial stability and industry reputation; and
- The efficiency and reliability of the executing broker-dealer's systems and technologies.

## Batched or Aggregated Trades

Because our Advisors generally manage your account(s) independently of other client accounts based on each client's specific needs and objectives, transactions for your account and other client accounts are often executed independently. When Advisors believe it is appropriate or beneficial to do so, however, they will often aggregate the purchase or sale of multiple clients' securities together to facilitate best execution, reduce overall costs, or provide each client with the same execution price. Aggregating multiple client orders together is particularly useful when 1st Global or your Advisor are utilizing model portfolio management strategies.

1st Global and our Advisors effect batched transactions in a manner designed to ensure that no participating client obtains a more favorable execution price over any other client. When 1st Global or your Advisor aggregate multiple client orders, transactions are typically allocated pro rata to the participating client accounts in proportion to the size of the order placed for each account. 1st Global or your Advisor may, however, increase or decrease the amount of securities allocated to each account, if necessary, to avoid holding odd lot or small numbers of shares for particular clients. Additionally, if 1st Global is unable to fully execute a batched transaction and 1st Global determines that it would be impractical to allocate a small number of securities among the accounts participating in the transaction on a pro rata basis, 1st Global may allocate such securities in a manner determined in good faith to be fair and equitable to the clients involved.

## Soft Dollars

Investment advisers may direct portfolio brokerage commissions to a particular broker-dealer in return for services and research used in making investment decisions in your account(s). The commissions used to acquire these services and research is known as "soft dollars." Section 28(e) of the Securities Exchange Act of 1934 provides a "safe harbor" that allows an investment advisor to pay more than the lowest available commission for brokerage and research services if it determines in good faith that the commission paid was reasonable in relation to the brokerage and research services provided.

1st Global does not receive research or other products or services other than execution from any broker-dealer or other third party.

### Brokerage for Client Referrals

1st Global does not consider, in selecting or recommending broker-dealers, whether 1st Global or any related person receives client referrals from the broker-dealer.

### Directed Brokerage

1st Global does not recommend, request or require that you direct us to execute transactions through a specified broker-dealer. As noted earlier, 1st Global directs most of our trades to our affiliated broker-dealer, 1st Global Capital Corp.

### Trade Errors

In all circumstances involving trade errors caused by 1st Global, clients are “made whole.” If the correction of the trade error by the firm results in a loss, 1st Global is responsible for that loss. If the correction of the trade error by the firm results in a gain, 1st Global will retain the gain.

In instances where multiple trades are corrected at the same time for the same client, the firm will net the results of each correction against each other. Gains received during these corrections may be used to offset losses resulting from other corrections within the total trade error correction.

### Review of Accounts

Advisory activities are supervised in several ways at various stages of the client relationship by compliance and operations staff. Prior to implementation, the paperwork is reviewed by our staff to ensure the account is being established in accordance with your stated objectives and tolerance for risk. A subsequent client account review may be triggered by material market, economic or political events, a change in your investment profile, a client inquiry or a change in tax law. Additionally, our staff will periodically review your accounts to identify situations that may call for a more detailed review or a specific action be taken on your behalf. 1st Global utilizes a series of surveillance, exception, trade, and other transaction reports that are designed to help facilitate the ongoing review of our managed accounts. In addition, our Advisors provide continual and regular investment advice or investment supervisory services to you, routinely review your portfolios, and are responsible for communicating with you at least annually.

IMS Prime program accounts utilize an automatic rebalance process designed to assure alignment with your stated asset allocation.

### Client Referrals and Other Compensation

1st Global and/or our Advisors may receive client referrals from outside solicitors (usually attorneys, CPAs or other professionals). The 1st Global Strategic Alliance Program is a referral program designed to compensate outside professionals or firms, such as attorneys, accountants, or other broker/dealers and investment advisers, for referring your advisory business to 1st Global and your Advisor. These professionals or firms are known as “solicitors.” If your advisory account is referred by a solicitor to 1st Global or your Advisor, 1st Global and your Advisor will pay a portion of the advisory fee you pay us to the solicitor, typically for as long as you maintain an advisory relationship with us, to compensate the solicitor for the referral. 1st Global will not charge a client who is referred to 1st Global by a solicitor any amount for the cost of obtaining the client that is in addition to the fee normally charged by 1st Global for its investment advisory services. The amount of this compensation, however, may be more than what the solicitor would receive if the client participated in our other programs or paid separately for investment advice, brokerage, and other services. The solicitor, therefore, has a financial incentive to recommend one or more of 1st Global’s wrap fee programs over other programs or services, including non-advisory programs and services, that may be available to the client for which the solicitor would not receive referral compensation. Such solicitation arrangements are disclosed to clients at the time of the solicitation via execution of a Solicitor Disclosure Statement or similar document that outlines the nature and amount of the compensation we pay to the solicitor and whether or not the solicitor is affiliated with or related to 1st Global. Solicitors are required to provide prospective clients with a current copy of 1st Global’s Form ADV Part 2 no later than the date on which the client enters into an advisory relationship with 1st Global and the Advisor.

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1st Global and your Advisor may serve as solicitors for third-party investment advisers. 1st Global and our Advisors are compensated for referring your advisory business to these third-party investment advisers. This compensation generally takes the form of the third-party investment adviser sharing with your Advisor and us a portion of the advisory fee the third-party investment adviser charges you for providing investment management services. 1st Global and your Advisor, therefore, have a conflict of interest to refer clients to those third-party investment advisers that pay referral fees to us or to your Advisor rather than those that don't. Additionally, 1st Global and your Advisor have a conflict of interest when referring clients to those third-party investment advisers that pay higher referral fees over those that pay lower referral fees.

## Custody

1st Global Capital Corp., our affiliated broker-dealer, is the broker-dealer of record. When you establish an advisory account with 1st Global Capital Corp. as the broker-dealer of record you will receive custodial statements directly from NFS. NFS will provide you with a custodial statement on a monthly or quarterly basis depending on activity in the account, which will include a detail of account activity during the month or quarter (including account holdings, contributions and withdrawals, and the value of the account at the beginning and end of the period).

NFS will also provide you with confirmations of the activity in the account.

1st Global provides portfolio performance reports to Advisors for distribution to you quarterly. These reports are usually prepared not later than 20 business days after the end of each calendar quarter.

All performance reports are electronically audited for accuracy prior to being provided to Advisors for distribution to you. The electronic audit process is designed to identify issues such as asset allocation discrepancies, account reconciliation irregularities, and unusual performance for the overall portfolio as well as specific asset classes. Reports that do not pass the audit process are reviewed and if necessary corrected before being provided to Advisors for distribution to you. The audit process cannot and will not correct all reconciling exceptions.

You should carefully review the account statements that you receive from NFS. You should also compare any statements you receive from us with the statements you receive from NFS. Please note that Envestnet reports trades as of the trade date and NFS reports trades as of the settlement date. For this reason, some trades may appear on your Envestnet reports that are not yet reflected on your NFS custodial statements. Comparing statements will allow you to determine whether account transactions, including deductions to pay advisory fees, are proper. Please let us know if you are not receiving custodial statements directly from NFS, LLC.

1st Global Capital Corp., our affiliated broker/dealer, is a related person of us. A related person is a person or entity that is under common ownership or control with us. Employees of 1st Global Capital Corp. perform operational duties to service client accounts of ours. These duties include the processing of client check requests and the receipt of securities for prompt delivery to our custodian, NFS. Check requests must be made in writing by you via a letter-of-instruction and will only be processed for non-IRA accounts. Check requests for IRA accounts are processed by our custodian, NFS. Based on your written instructions, our staff will process the check request and mail the check to your address of record. You may also send securities, in the form of stock certificates, to 1st Global Capital Corp. for processing. Our staff will process and promptly forward the certificates to our custodian, NFS, for deposit into your account. 1st Global is deemed to have custody since our related person, 1st Global Capital Corp. performs these operational functions for you.

## Investment Discretion

1st Global provides investment advice to the majority of our managed account clients on a discretionary basis, pursuant to written authorization granted by you, to us and your Advisor.

Your IMS Prime account will be a discretionary account for which the Advisor need not seek your approval prior to purchasing or repositioning assets. The use of discretion requires specific written approval from us. In addition, you must provide written authorization to allow your Advisor to utilize discretion in the account. This is accomplished through the Investment Advisory Agreement. Neither 1st Global nor any Advisor will have the authority to withdraw funds or securities from your account other than for payment of quarterly management fees as agreed to in writing by you.



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

When 1st Global is engaged to provide investment advisory services through the IMS or RMS platforms on behalf of a client that is subject to the Employee Retirement Income Security Act of 1974, as amended (ERISA), 1st Global is a “covered service provider” to the plan for purposes of ERISA Section 408(b)(2) and the regulations thereunder. This Brochure, the ERISA Section 408(b)(2) Disclosure, and the disclosures included in the investment advisory agreement between the ERISA client and 1st Global are intended to provide certain fee disclosures in accordance with the requirements under ERISA Section 408(b)(2).

## Financial Information

Not applicable.