

September 30, 2011

1st
Global
Advisors,
Inc.



8150 N Central Expressway, Suite 500
Dallas, TX 75206

This 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) 265-1201 or e-mail us at 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

Part 2A of
Form ADV:
Firm Brochure

Material Changes

In July 2010, the United State Securities and Exchange Commission (“SEC”) adopted and later published “Amendments to Form ADV” to require investment advisers registered with the SEC to provide clients and prospective clients with a disclosure brochure (“Brochure”) about the business practices, conflicts of interest, and background of the investment adviser and its advisory personnel. This Brochure, dated September 30, 2011, is a new document and is materially different in format, content, and structure from previous versions of 1st Global Advisors, Inc.’s Form ADV Part 2.

In the future, this section of the Brochure will summarize the specific material changes that have been made since the previous version of the Brochure was published. The types of changes that will be discussed in future versions of 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 Brochure or to contact us with questions about the changes that were made.

As previously required by SEC rules, we have offered or delivered information about our policies, practices, and conflicts of interest to clients on at least an annual basis. Pursuant to new SEC rules, we will provide you with a summary of any material changes to our Brochure by October 30 of each year. We may further provide other updated disclosure information about material changes, as necessary.

You may request a copy of our current Brochure at any time, without charge, by calling us at (214) 265-1201 or e-mailing us at Compliance@1stGlobal.com.

Additional information about us is also available via the SEC’s Investment Adviser Public Disclosure website at 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.

This brochure was last updated on September 30, 2011.

Table of Contents

Material Changes	2
Table of Contents	3
Advisory Business.....	5
Introduction	5
We Tailor our Advisory Services to the Individual Needs of Clients.....	5
Types of Advisory Services	5
Special Product Considerations	10
Program Choice Conflicts of Interest	11
Wrap Fee Program	12
Assets Under Management	12
Fees and Compensation.....	12
We Earn Asset Management Fees for the Services We Provide	12
Billing Practices	15
Other Fees and Expenses	15
Termination and Advisory Fees	16
Additional Compensation	17
Performance-Based Fees and Side-By-Side Management.....	19
Types of Clients	19
Our Clients	19
Account Size Minimums.....	19
Methods of Analysis, Investment Strategies and Risk of Loss	20
Investment Strategies	20
Risk of Loss	22
Disciplinary Information.....	23
Other Financial Industry Activities and Affiliations.....	23
Affiliated Broker-Dealer	23
Material Relationships or Arrangements.....	23
Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	26
Code of Ethics	26

Participation or Interest in Client Transactions and Personal Trading	27
Brokerage Practices	27
General.....	27
Soft Dollars.....	29
Brokerage for Client Referrals.....	29
Directed Brokerage	29
Review of Accounts.....	29
Client Referrals and Other Compensation	30
Custody	31
Investment Discretion.....	31
Voting Client Securities	32
Financial Information	33

Advisory Business

Introduction

We are 1st Global Advisors, Inc. Through our network of affiliated investment adviser representatives (“IARs”), we offer comprehensive financial services to individuals, families, businesses and institutions. We specialize in partnering with CPA, tax, accounting, legal, and dedicated financial professionals.

We have been in the investment advisory business since 1992. Our principal owner is 1st Global, Inc., which owns all of our shares. The majority of 1st Global, Inc.’s shares are owned by Stephen Anthony Batman and family. Stephen Anthony Batman is our Chairman and Chief Executive Officer. The remaining shares, less than 1%, are owned by a small number of current and former employees.

We Tailor our Advisory Services to the Individual Needs of Clients

Our Investment Management Solutions (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.

We provide 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.

You, assisted by your IAR, complete a risk profile questionnaire (Profile) in the form we provide. The Profile describes your financial situation, investment objectives, time horizon, risk tolerance and investment preferences.

We ask you to promptly notify your IAR of any material changes in the information furnished by you in the Profile, including material changes to your financial situation, investment objectives, time horizon, risk tolerance or investment strategy.

We use the Profile to provide services to you. Based on information in the Profile, the IAR and you will determine the appropriate portfolio type. We typically provide you with an investment policy statement (IPS) based on the Profile.

Our currently available investment management solutions (IMS) portfolio types are designated as:

- Ultra-Conservative,
- Conservative,
- Moderate,
- Growth, and
- Aggressive Growth.

We may change the existing portfolios or introduce new portfolios from time to time. You may change IMS portfolio types whenever you like, including when your objectives or risk tolerance change.

You are permitted to place reasonable restrictions on individual securities or types of securities in the IMS Unified Choice platform that you wish to exclude from the account, within reasonable parameters set by us and asset managers. We will not substitute another security for the restricted one or request that the asset manager designate a substitute security. We will use cash to represent the percentage of restricted securities. Restrictions may adversely affect the management of your account or the ability to meet your investment objectives.

Types of Advisory Services

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, 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. Our IARs may also offer advice related to direct participation programs and private placements.

We are the sponsor of all of the following IMS platforms:

[IMS Select Portfolios Platform](#)

IMS Select Portfolios are diversified asset allocation models invested in pre-selected portfolios of mutual funds, money market funds and exchange traded funds. You are assigned an IMS Select Portfolio based on your risk assessment, investable assets and chosen management strategy.

We will monitor the IMS Select Portfolios and will make changes to the portfolios if a fund no longer fits the fund selection criteria. When we make changes to the IMS Select Portfolios, positions in your account that are affected by the change will be liquidated and new positions will be purchased.

Income tax liabilities may result from the sale of individual securities within your account, unless the account is otherwise tax sheltered or tax deferred. Income tax liabilities directly reduce investment returns. You are responsible for all tax liabilities arising from the sale of individual securities within your account.

You may incur short-term redemption fees upon the liquidation of a mutual fund position for purposes of rebalancing or the replacement of one fund for another fund in the portfolio. We will attempt to have these fees waived at the time of redemption, but waiver is at the sole discretion of the mutual fund sponsor.

IMS Select Portfolios will be managed on a discretionary basis. We will have full authority as your agent and attorney-in-fact to manage the assets in your account on a fully discretionary basis. For all services, this discretionary authority includes the authority, without first consulting you, to:

- Determine the portion of assets in your account that will be allocated to each investment or asset class and to change such allocation of assets as necessary;
- Take any and all other actions on your behalf that we determine are customary or appropriate for a discretionary investment adviser to perform, including the authority to buy, sell, select, remove and replace securities, including mutual fund shares, stocks, bonds and other investments for the account; and
- Select the broker/dealers or others with which transactions for the account will be effected.

Neither we nor the IAR 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.

We monitor market conditions and the performance of the IMS Select Portfolios. We reposition assets by rebalancing your account when an asset class is out of tolerance by more than 5%.

[IMS Portfolio Choice Platform](#)

IMS Portfolio Choice portfolios are diversified asset allocation models and may be implemented into securities, which generally consist of, but are not limited to, money market funds, mutual funds and exchange traded funds. You and the IAR may choose to exclude certain asset classes from the IMS Portfolio Choice portfolio or choose to disregard the profile for the portfolio type indicated. These exclusions will be listed in the investment policy statement. Your portfolio may be invested similarly to, or different from, other clients with the same or similar objectives.

We and the IAR will monitor market conditions and the performance of your portfolio. The IAR will communicate any changes to you and reposition assets as needed. We will automatically rebalance your portfolio back to its original target percentages in accordance with the rebalancing schedule and tolerances determined by you and your IAR. It is important to note that the rebalancing schedules and tolerances are limited in scope and your choice of rebalancing will be amongst the choices provided.

IMS Portfolio Choice portfolios will be managed on a discretionary basis. We 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 be bought or sold 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. You may incur short-term redemption fees upon the liquidation of a mutual

fund position for purposes of rebalancing or the replacement of one fund for another fund in the portfolio. We will attempt to have these fees waived at the time of redemption but waiver of these fees is at the sole discretion of the mutual fund sponsor.

Neither we nor the IAR 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.

IMS Flex Choice Platform

IMS Flex Choice Portfolios may be implemented into individual securities, which generally consist of, but are not limited to, money market funds, mutual funds, stocks, bonds, unit investment trusts, exchange traded funds and certificates of deposit.

You and the IAR may choose to exclude certain asset classes from your IMS Flex Choice portfolio or choose to disregard the Profile for the portfolio type indicated. These exclusions will be listed in the investment policy statement if one is provided. Your portfolio may be invested similarly to, or different from, portfolios belonging to clients with the same or similar objectives.

We and the IAR will monitor market conditions and the performance of your portfolio. The IAR will communicate necessary changes to you and reposition assets as needed.

Your IMS Flex Choice account may either be a cash or margin account. A margin account is one in which the firm carrying the account lends cash to you with which you purchase securities. Unlike a cash account, a margin account allows you to buy securities by borrowing the money. In the financial services industry, investors often open margin accounts to take advantage of an opportunity to leverage their investment, not because they lack the money to make the full purchase. However, investors using the IMS Flex Choice platform most often use margin in conjunction with check-writing capabilities offered on these accounts. Margin allows you to borrow money in cases where a check is written for an amount greater than the cash balance. While this borrowing has a cost, it also prevents you from prematurely selling securities and allows you to make a later deposit to return the money borrowed. While the use of margin may offer the potential to leverage an investment, and allows you greater flexibility in the operation of your account, buying securities on margin also subjects you to additional costs and risks that should be carefully considered.

Your IMS Flex Choice account may be a discretionary account for which the IAR 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 IAR to utilize discretion in the account.

As a matter of course, no common stock position should be greater than 5% of the total portfolio value. We may waive this policy if circumstances deem it to be appropriate.

IMS Unified Choice Platform

The IMS Unified Choice Platform is a “wrap fee” platform and differs from the other IMS platforms 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. For example, our IMS Select Portfolio Platform is not considered a wrap fee program because you pay transaction costs that are in addition to the asset management fee and are generally borne by you.

In the case of wrap fee platforms, such accounts are managed in accordance with the investment methodology and philosophy used by the respective third-party portfolio manager. On the other hand, our IMS Flex Choice platform is managed by your IAR in accordance with his or her own investment methodology and philosophy. For the investment advisory services provided to you by us and your IAR, we and your IAR receive a portion of the investment advisory fee you pay when you participate in the platform.

For more information relating to our wrap fee platform please refer to the 1st Global Advisors, Inc. Wrap Fee Platform Brochure.

The IMS Unified Choice platform utilizes select third-party asset managers who provide us with model portfolios that we use to invest the funds in your account. Portfolios may be invested into one or more of these model portfolios and/or a combination of mutual funds, exchange traded funds or other individual securities. Typically, these portfolios are invested in a combination of all of these types.

We provide overlay portfolio management services to your entire portfolio. This allows us to combine and customize multiple investment products to meet your individual goals. In this regard, we are responsible for rebalancing the portfolio and take instructions from the IAR in order to complete specific trades, such as those for tax-loss harvesting purposes at year end.

Income tax liabilities may result from the sale of individual securities within your account, unless the account is otherwise tax sheltered or tax deferred. Income tax liabilities directly reduce investment returns. You are responsible for all tax liabilities arising from the sale of individual securities within your account.

Under certain circumstances, IMS Unified Choice portfolios may be invested entirely in a single asset class. The single asset class portfolios may be invested in the large cap, small cap, international, fixed income or real estate asset classes only. No investment policy statement will be created for single asset class portfolios.

You are permitted to place reasonable restrictions on individual securities or types of securities that you wish to exclude from the account, within reasonable parameters set by us and asset managers. We will not substitute another security for the restricted one or request that the asset manager designate a substitute security. We will use cash to represent the percentage of restricted securities. Restrictions may adversely affect the management of your account or the ability to meet your investment objectives.

We monitor market conditions and the performance of the IMS Unified Choice portfolios. We reposition assets by rebalancing your account when an asset class is out of tolerance by more than 5%.

We have full authority as your agent and attorney-in-fact to manage your IMS Unified Choice portfolio assets on a fully discretionary basis. For all services, this discretionary authority includes the authority, without first consulting you, to:

- Determine the portion of assets in your account to allocate to each investment or asset class;
- Change your allocation of assets as necessary;
- Take any and all other actions on your behalf that we determine are customary or appropriate for a discretionary investment adviser to perform, including the authority to buy, sell, select, remove and replace securities, including mutual fund shares, stocks, bonds and other investments for the account; and
- Select the broker/dealer or others with which transactions for the account will be effected.

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

[Retirement Management Solutions \("RMS"\)](#)

Our RMS platform is a managed account program specifically designed for defined contribution qualified plans including, but not limited to, 401(k), profit sharing, safe harbor 401(k), defined benefit, defined contribution, Solo(k) and SIMPLE 401(k) plans.

We will design and manage portfolios that may be invested similar to the portfolios of other clients having similar investment objectives. You may develop, in consultation with us, a broad range of portfolio types for individual participant use. Each portfolio type will be designed to help achieve plan participant retirement objectives while staying within their stated risk tolerance and at the same time, taking into account their time horizon and unique needs and circumstances.

The currently available RMS portfolio types are designed as Ultra-conservative, Conservative, Moderate, Growth and Aggressive Growth. Portfolio types may be augmented or modified from time to time by us.

Portfolio types are not intended as investment advice for plan participants. Plan participants are free to disregard the portfolio types and choose individual mutual funds at their sole discretion. The client is the retirement plan, not the individual participants.

All trades will be referred for execution to a directed trustee selected by 1st Global Retirement Services, Inc. All assets in the RMS platform will be custodied with MG Trust Company, LLC. 1st Global Capital Corp., an affiliated broker-dealer under common ownership, will serve as the broker-dealer of record. We fully acknowledge the conflict of interest that exists because the broker/dealer receives compensation on these trades.

1st Global's Solicitor Referral Platform

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

- **Solicitor:** When acting as a solicitor for the TAMP program, neither we nor your IAR provide advisory services in relation to the TAMP program. Instead, your IAR will assist you in selecting one or more TAMP programs believed to be suitable for you based on your stated financial situation, investment objectives, and financial goals. We and your IAR are compensated for referring you to the TAMP program. This compensation generally takes the form of the TAMP sharing a percentage of the advisory fee you pay to the TAMP with us and your IAR. When we act as a solicitor for a TAMP program, you will receive a written solicitor disclosure statement describing the nature of our relationship with the TAMP program, if any; the terms of our compensation arrangement with the TAMP program, including a description of the compensation that we will receive for referring you to the TAMP program; and the amount, if any, that you will be charged in addition to the advisory fee that you will pay to the TAMP as a result of our referral of you to the TAMP program.
- **Adviser or Sub-Adviser:** Under an adviser or sub-adviser relationship between us and the sponsor of the TAMP program, we and your IAR will fulfill the role of an adviser or sub-adviser to you. We will provide you with portfolio management supervisory services with respect to the adviser or sub-adviser TAMP programs you select. That means that we will monitor the TAMP program's performance, investment selection, and continued suitability for your portfolio and will advise you accordingly. Your advisor will help you determine your risk tolerance, investment goals, and other relevant guidelines in order to help you choose a TAMP program that appears to satisfy your investment needs.

We have entered into agreements with Lockwood Financial Services, Mount Yale Capital Group, Mellon Private Asset Management, Neuberger Berman, Rochdale, Curian Capital, GE Capital Asset Management, Loring Ward Asset Management, Symmetry Partners and SEI Asset Management Program to offer one or both of the services described above. We may enter into similar agreements with like organizations to provide similar portfolio manager search, custodial and performance reporting services.

These programs are closed to most advisors and most clients, except in cases where pre-established relationships occur. The ability to provide access to these TAMPs or deny access to these TAMPs is at the sole discretion of 1st Global Advisors, Inc.

Financial Planning

Our IARs may offer financial planning services at no cost to you. If financial planning services are offered, the IAR will gather financial information and history from you including but not limited to retirement goals, financial goals, objectives, investment horizon, financial needs, cash flow analysis, cost of living needs, education needs, savings tendencies and other applicable financial information required by the IAR in order to provide the investment advisory services requested. Based upon your needs, the IAR will prepare a written financial plan addressing your needs. This plan may be comprehensive in nature or modular, as dictated by your needs.

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

Should your financial situation, goals, objectives or needs change, you must notify the IAR promptly of the changes. Although financial plans are done at no direct cost to you, we and your IAR may earn commissions or advisory fees should you choose to implement all or a portion of the plan through 1st Global Capital Corp. (our affiliated broker/dealer), 1st Global Advisors, Inc. or other outside money managers. At all times it is solely your choice whether implementation of all or a portion of the

recommendations in the plan are done through us, our affiliated broker/dealer or other broker/dealer or money managers chosen by you. You are under no obligation to do anything.

Closed or Discontinued Platforms

Institutional Managed Account Program (“I-MAP”) – This program was closed to new investors on December 31, 2004.

Global Choice Platinum Managed Account Program (“Global Choice Platinum”) – This program was consolidated with the Global Choice Managed Account Program (“Global Choice”) and renamed IMS Flex Choice on October 31, 2004.

Global Choice Managed Account Program (“Global Choice”) – This program was consolidated with the Global Choice Platinum Managed Account Program (“Global Choice Platinum”) and renamed IMS Flex Choice on October 31, 2004.

Premium Managed Account Program (“P-MAP”) – This program was closed to new investors on December 31, 2004.

Select Managed Account Program (“S-MAP”) – This program was renamed IMS Premium Choice on October 31, 2004 and renamed Solicitor Referral Platform on September 9, 2009.

Variable Managed Account Program (“V-MAP”) – This program was closed to new investors on May 31, 1999.

Compass – This program was closed to new investors on January 1, 2002.

CompassGOLD – This program was closed to new investors on October 19, 2009.

Special Product Considerations

The IMS platforms offer access to fund of funds hedge funds, private equity and structured investments. Unlike non-publicly traded real estate investment trusts (REITs) or limited partnerships, the hedge funds, private equity and structured investments are billable assets. This means that we charge you quarterly advisory fees based on the value of your hedge fund, private equity and structured investment assets. Beyond the infrastructure of the IMS platforms, your investment advisory fee is for the specialized advice and guidance provided by your IAR regarding these assets.

We make hedge funds and private equity investments available only to qualified purchasers, qualified clients or accredited investors as those terms are defined under applicable securities laws. We make hedge funds and private equity available only to those clients with moderate, growth or aggressive growth profiles. Specifically, your scored profile must be “moderate” or above in order to be able to purchase hedge funds and/or private equity in an account. A client scoring “moderate” but choosing “conservative” may purchase hedge funds and/or private equity in limited circumstances. You are permitted to choose “conservative” and still purchase a hedge fund and/or private equity only when it is required for account “grouping” purposes and not because you feel a need to accept less risk than the “moderate” scoring would indicate. We permit this only for instances where you have a group of accounts that are managed together at a risk score of “moderate” or above, and the account in which the hedge fund and/or private equity will be purchased requires a “conservative” allocation to support the necessary allocation to fixed income across all accounts. For example, you may choose to be more heavily weighted in fixed income securities in one account, an account with a conservative allocation, and more heavily weighted in equity securities in another account, an account with a more aggressive allocation. When taken in total, your grouped portfolio must be a moderate, growth or aggressive growth allocation to choose these investments. We have the discretion to waive these guidelines for unforeseen circumstances that do not violate our fiduciary obligation.

Structured Investments are available only to those clients with a “conservative,” “moderate,” “growth,” or “aggressive growth” risk profile.

We limit your investment in hedge funds or private equity to no more than 10% of your stated net worth. Furthermore and generally, no more than 30% of your portfolio may be allocated to hedge funds, private equity, structured investments, non-publicly traded REITs and limited partnerships (LPs) combined. No more than 10% of your portfolio may be allocated to a private equity hedge fund or any single Buffered Return Enhanced Note (BREN) offering (a type of structured investment). The rest of the account will be allocated to the appropriate portfolio type as determined by your Profile. The percentage allocated to each asset class within the portfolio type will be proportionately reduced by the percentage of the portfolio allocated to hedge funds, private equity and/or structured products. We make special rebalancing considerations for those accounts incorporating an allocation to hedge funds, private equity or structured products.

We caution that you may have limited opportunities to redeem shares of hedge funds or private equity, because the underlying securities may not be available for sale for long periods of time, and the hedge funds and private equity impose restrictions on repurchase offers further limiting exit strategies or redemptions. Structured investments are available in various maturities as outlined in the offering document for the product. Due to these restrictions, the portion of your account allocated to the asset allocation model will be rebalanced independent of any hedge funds, private equity and/or structured investments in the account. The asset allocation model alone will be rebalanced back to the original target allocations of that model. It is not feasible for us to incorporate hedge funds, private equity and/or structured investments into the rebalance process.

Once a structured investment matures or a hedge fund or private equity is redeemed, you and the IAR can determine how to reinvest or withdraw the proceeds, and you may fully rebalance your account at that time. Hedge fund and private equity minimum investment amounts vary as described in the fund's offering document. The minimum account balance required to include an allocation to a structured investment is \$100,000. The minimum investment in a structured investment is \$1,000.

[For qualified clients, we offer access to other illiquid investments.](#)

For qualified clients, we offer access to other illiquid investment alternatives, such as non-publicly traded REITs and limited partnership interests. Unlike hedge funds, private equity and structured investments, these are non-billable assets and are typically only placed in the account for convenience (avoids multiple accounts) and reporting purposes. We rebalance your asset allocation independent of these products as well. The illiquid alternative portion of the account, which includes hedge funds, private equity, structured investments, non-publicly traded REITs and LPs generally may not exceed 30% of the account. We may waive these requirements under circumstances we deem to be appropriate.

The amount and type of non-publicly traded REIT or LP permissible in an account is based on the risk profile. Please see below for details:

- Ultra-conservative: not permitted at all.
- Conservative: "growth"-focused products not permitted (only "income" and "income and growth" products permitted); Max 10% of account value in "income" and "income and growth" sector products.
- Moderate: all REITs permitted; Max 10% of account value in "growth" focused and "income" and "income and growth" sector products.
- Growth: all REITs permitted; Max 15% of account value in "growth" focused and "income and growth" sector products.
- Aggressive: all REITs permitted; Max 20% of account value in "growth" focused and "income" and "income and growth" sector products.

The Dividend Reinvestment Program (DRP) is generally not permitted when purchasing a REIT inside of an IMS account.

Program Choice Conflicts of Interest

The specific advisory platform selected by you may cost you more or less than purchasing platform services separately. Factors that bear upon the cost of a particular advisory platform 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 us and our IARs does not constitute legal, tax, or accounting advice. You should coordinate and discuss the impact of the financial advice you receive from our IARs with your attorney and accountant. We acknowledge that our IARs are commonly CPAs or other tax, accounting or legal professionals, therefore, acting as your CPA, tax or accounting professional or attorney, your IAR may, in this capacity, provide legal, tax or accounting advice.

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

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

Wrap Fee Program

The IMS Unified Choice Platform is a “wrap fee” platform and differs from the other IMS platforms 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 asset management fees. For example, our IMS Select Portfolio Platform is not considered a wrap fee program because you pay transaction costs that are in addition to the asset management fee and are generally borne by you.

In the case of wrap fee platforms, such accounts are managed in accordance with the investment methodology and philosophy used by the respective third-party portfolio manager. On the other hand, our IMS Flex Choice Platform is managed by your IAR in accordance with his or her own investment methodology and philosophy. For the investment advisory services provided to you by us and your IAR, we and your IAR receive a portion of the annual asset management fee you pay when you participate in any managed account program through us, including the wrap fee program.

Assets Under Management

As of September 14, 2011, we managed \$3,838,552,577 in assets. \$2,099,665,251 is managed on a discretionary basis and \$1,738,887,326 is managed on a non-discretionary basis.

Fees and Compensation

We Earn Asset Management Fees for the Services We Provide

You will pay us and your IAR an annual asset management fee based on a percentage of assets under management (AUM) if you elect to receive asset management services through one or more of our IMS platforms. The maximum asset management fee that can be charged in any 1st Global managed account platform is 3% annually and is negotiable. Certain managed account platforms have lower maximum annual fee amounts, and fee schedules will vary among platforms. In most cases, the annual asset management fee is payable quarterly in advance and is computed as one-quarter of the annual fee, 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.

[IMS Select Portfolios](#)

[IMS Portfolio Choice](#)

[IMS Flex Choice](#)

We charge an annual asset management fee of up to 3.00% of assets under management.

The asset management 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 fees that we charge 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.

Together with you, we establish the annual asset management fee within the range stated above.

[Retirement Management Solutions \(RMS\)](#)

We charge an annual asset management fee of up to 2.75% of assets under management.

The asset management fee does not include the cost of custodial and record keeping services, which are disclosed in the recordkeeping service agreement.

Annual asset management fees for RMS portfolios have been designed with full acknowledgement that 12b-1 fees for RMS portfolios paid to 1st Global Capital Corp., and not paid to the record keeper to offset record keeping fees, will be used to lower (offset) the total asset management fee paid.

Portfolio Value	Total Asset Management Fee
Under \$250,000	___% (Maximum 2.75%)
\$250,000 - \$500,000	___% (Maximum 2.65%)
\$500,000 - \$2,000,000	___% (Maximum 2.55%)
\$2,000,001 - \$3,000,000	___% (Maximum 2.45%)
\$3,000,001 - \$4,000,000	___% (Maximum 2.35%)
\$4,000,001 - \$5,000,000	___% (Maximum 2.25%)
Above \$5,000,000	___% (Maximum 2.15%)

We receive a portion of the total asset management fee paid to your IAR.

[IMS Unified Choice Platform](#)

We charge an annual asset management fee of up to 3.00% of assets under management.

The asset management fee does not include certain fees and charges related to account services provided by the custodian. The fees and charges for accounts held through NFS are disclosed in the section titled *Account Fees and Charges for Accounts held through NFS*. The fees that we charge 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.

Your clearing and custody fee includes the first 1,000 transactions in the account on a pro-rated calendar year basis commencing 45 days from the funding date of the account. Thereafter, the costs of the first 1,000 transactions each calendar year are included in the clearing and custody fees. After the trade threshold is exceeded in any calendar year, portfolios will incur transaction costs for exchange traded funds, stocks, bonds or other securities.

You will not be responsible for paying clearing and custody fees beginning with the first trade if you elect a diversified portfolio in which a fixed income manager is the only manager chosen in the portfolio. Instead, the portfolio will incur transaction costs for exchange traded funds, stocks, bonds or other securities.

The asset management fee varies based on the size of the account and the combination of asset managers, mutual funds, bonds and/or exchange traded funds selected by you and the IAR, though other factors may also influence the amount of the annual asset management fee charged.

Equity and Fixed Income Asset Manager Fees

Portfolio Value	Equity Manager Fee	Fixed Income Manager Fee	Clearing/Custody Fees	Advisory Fee	Total Asset Mgmt. Fee
First \$250,000	0.40%	0.30%	0.20%	___ =	___ (max 3%)
Next \$250,000	0.40%	0.30%	0.12%	___ =	___ (max 3%)
Next \$500,000	0.40%	0.30%	0.10%	___ =	___ (max 3%)
Next \$1,000,000	0.40%	0.30%	0.07%	___ =	___ (max 3%)
Next \$3,000,000	0.40%	0.30%	0.03%	___ =	___ (max 3%)
Above \$5,000,000	0.40%	0.30%	0.00%	___ =	___ (max 3%)

The minimum clearing and custody fee is \$600.00.

We receive a portion of the advisory fee paid to your IAR.

Fees for utilizing our fixed income desk are 0.20% of the amount of the fixed income portion of the account. The portion of the account using the fixed income desk will also be subject to clearing and custody fees and advisory fee.

Reasons the asset management fee percentage may change each quarter include but are not limited to:

- The number of managers, or the percentage of assets managed by each existing manager, changes. Hiring additional managers or giving existing managers larger portions of the portfolio to manage may subject these portions of the account to fees from asset managers. Furthermore, as the assets managed by each investment manager change at a

rate different from other asset managers or other investment products, the percentage allocated to each manager will vary, which will in turn cause the total percentage fee to vary; and

- Breakpoints in clearing and custody fees are reached. When accounts increase in value, the clearing and custody fee percentage may decrease, while conversely, when accounts decrease in value, the clearing and custody fee percentage may increase.

As stated earlier, you may choose to implement a single asset class portfolio within the IMS Unified Choice platform. Of the single asset class portfolios, a fixed income only portfolio will be subject to a unique fee schedule. This fee schedule takes into consideration the frequency of trading in a fixed income only account and makes adjustments to clearing and custody fees accordingly. You may also be transitioned to this fee schedule if a diversified portfolio utilizing multiple asset classes transition into a single asset class fixed income portfolio. The fee schedule for a fixed income only portfolio is as follows:

Fixed Income Only Portfolio Fees

Fixed Income Asset Manager Fee	Advisory Fee	=	Total Asset Mgmt. Fee
.30%	_____	=	_____ (max 3%)

We will receive a portion of the advisory fee paid to your IAR.

If your portfolio has both a fixed income and an equity manager, you will be responsible for these transaction costs, plus the fees of an equity asset manager in the portfolio, including clearing and custody fees.

This fee schedule will not apply to fixed income only portfolios if you own another IMS Unified Choice account or if that account is owned by an entity controlled by you, or by you together with someone else. In these cases, the standard fee schedule (for IMS Unified Choice Platform accounts with both fixed income and equity assets) shown on page 13 will apply to all accounts and will not be aggregated for reduced costs. Reduced costs may be available if both accounts can be and are combined into a single account.

We have contractually agreed to pay each fixed income manager a fee equal to 0.30% of the value of your fixed income portfolio annually as charted above. A fixed income manager may choose to be paid less than 0.30% without advance notice to you.

The total wrap fee paid by you includes a component (Advisory Fee) which is paid to the IAR or affiliated Registered Investment Adviser. The component (Advisory fee) paid to the IAR or affiliated Registered Investment Adviser is the total asset management fee paid by you minus the fees outlined in the tables above. For example, if you are paying a total asset management fee of 1.0% and the fee tables show fees of 0.40%, then the IAR or affiliated Registered Investment Adviser receives 0.60%. We receive a portion of the Advisory fee paid to your IAR or affiliated Registered Investment Adviser.

The custodian excludes certain assets (non-chargeable assets) from the amount it charges us. Non-chargeable assets include certain mutual funds, bank certificates of deposit, non-marketable securities (for example, hedge funds/private equity, structured investments, non-publicly traded REITs and real estate limited partnerships) and cash. We retain the difference between the amount paid by you and the amount charged to us by the custodian on these non-chargeable assets. Because clearing and custody fees apply to the total assets in the account, you may benefit more from utilizing an asset manager's model portfolio in each asset class in order to avoid paying these fees for assets that are considered non-chargeable assets.

[1st Global's Solicitor Referral Platform](#)

The annual asset management fee is up to 3.00% of assets under management.

The asset management fee typically includes the cost of custodial services. The assets will be held with a custodian mutually agreeable to you and the portfolio manager.

The asset management fee varies primarily based on the size of the account and the portfolio managers selected by you, though other factors may also influence the amount of the annual asset management fee charged.

The asset management fee will be determined according to the fee schedule of the portfolio manager sponsoring the program up to a maximum of 3.00%. You should read the Form ADV of the sponsoring third-party asset manager for information regarding asset management fees and other expenses.

Billing Practices

We, through the account custodian, will typically debit the annual asset management fee from your account automatically. The annual asset management 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 us and the IAR. Rather than automatic fee debiting from your account, you may 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, in advance or in arrears, based on the specific program selected by you.

For all accounts other than 1st Global's Solicitor Referral Platform, 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 us and the IAR). For all accounts other than 1st Global's Solicitor Referral Platform and RMS, 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 we nor the custodian do so.

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 IAR in connection with certain investments. We and your IAR may 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 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.

The fees that we charge 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.

These fees and transaction charges present a potential conflict of interest because we may have a greater incentive to recommend (or make investment decisions regarding) investments that provide additional compensation to us. Further information regarding fees and charges assessed by a mutual fund is available in the appropriate mutual fund prospectus.

If you invest in the Retirement Management Solutions Platform, a retirement plan may choose a default fund that meets the definition of a qualified default investment alternative as defined in the Pension Protection Act of 2006. Participant assets will be placed in the default fund if no investment elections have been made. Participants will be given an opportunity to provide investment direction. A notice will be provided to participants in advance of the first investment in the qualified default investment alternative and annually thereafter. Depending on the fund, the fund may charge an annual asset based fee. The fees and charges of the fund options will be listed in their respective prospectus or offering document.

Unless you are investing in Retirement Management Solutions or 1st Global's Solicitor Referral Platform, you must choose a default money market fund upon establishing the account. Cash received into the account will be automatically swept into the default money market fund on an intra-day basis and reported on an end-of-day basis. Depending on the money market fund, there may be an annual asset based fee charged by the money market fund. The fees and charges of the money market fund will be listed in the fund's prospectus.

For 1st Global's Solicitor Referral Platform accounts, fees are determined by the individual third-party asset manager on the platform. Clients should refer to the disclosure brochure of the third-party asset manager for information regarding fees and expenses.

Hedge funds and private equity will also be subject to underlying fund expenses including management and other servicing fees. Typically, you will be responsible for a repurchase fee, a percentage of the amount requested, if you request a distribution and have invested in the hedge fund or private equity for less than the stated holding period outlined in the hedge fund or private equity prospectus/private placement memorandum. Hedge funds and private equity may also assess a performance fee. For more information regarding the fees of hedge funds and private equity, please refer to the prospectus/private placement memorandum offered at time of sale and available from the hedge fund or private equity directly.

The fees and expenses of structured investments may change from offering to offering. For a complete breakdown of the fees and expenses of structured investments, please refer to the offering document for that product.

Some asset managers in the IMS Unified Choice Platform may execute transactions away from NFS in order to obtain better execution, particularly asset managers who trade fixed income securities. Equity asset managers on the IMS Unified Choice platform provide us with a model of securities. When you choose a particular equity asset manager, we trade your account to match the model provided by that equity asset manager. Unlike equity asset managers who provide us with a model, fixed income asset managers trade your account on an individual basis. Bonds are purchased by fixed income asset managers for your specific account that we then transfer into your account. There may be costs such as mark-ups or mark-downs associated with those trades placed away from NFS that you will incur. IARs may consider the existence of these mark-ups and mark-downs when determining the annual asset management fee.

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 may 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.

<u>Product Type</u>	<u>Maximum Charge</u>
Equities	\$15 per trade
ETFs	\$15 per trade
Mutual Funds	\$15 per trade
Fixed Income	\$39.50 per trade
UITs	\$35 per trade
Foreign Equity	\$90 per trade

For a complete listing of custodial fees and charges, please see the fee schedule on our public website at <http://www.1stglobal.com/Library/acctfees.pdf>.

Our custodian, NFS, assesses a transaction fee surcharge of \$10.00 on certain mutual funds. These funds are subject to the transaction surcharge because they do not pay NFS' standard administrative and/or service fees. The list of affected fund families is subject to change at any time, without prior notice, and is included below for your review.

Alliance Bernstein Offshore Funds
CGM
Dodge & Cox
Fairholme
Longleaf Partners
Mairs & Powers
DFA
Meridian
Sequoia
Vanguard

Transaction costs are not commissions; they are clearing costs charged by the designated clearing firm on the account and are subject to change at any time. Either we or the IAR may decide to bear the costs of transactions under certain circumstances.

Termination and Advisory Fees

For all accounts other than Retirement Management Solutions and 1st Global's Solicitor Referral Platform, we will charge asset management fees in advance upon establishing the value of the portfolio based on the proportion of the number of days

remaining in the quarter. Thereafter, we 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 asset management fees are payable by you upon initial statement at the end of the prior quarter. The asset management fees payable upon initial implementation of the account are payable by you upon receipt of an invoice from us, or we 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, we will calculate asset management fees for all subsequent periods as of the last business day of the previous quarter. If your account does not contain sufficient funds to pay asset management fees, we will have limited authority to sell or redeem securities in sufficient amounts to pay asset management fees. You may reimburse the portfolio for asset management 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.

For Retirement Management Solutions accounts, we bill for asset management fees in arrears based on the balance of the account on the last business day of the previous quarter for services rendered in the previous quarter. Any mutual fund commissions or 12b-1 fees paid to 1st Global Capital Corp., and not paid to the record keeper to offset record keeping fees, will be used to lower (offset) the total asset management fee paid.

For 1st Global's Solicitor Referral Platform accounts, fees are determined by the individual third-party asset manager on the platform. You should refer to the disclosure brochure of the third-party asset manager for information regarding fees and expenses.

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

Furthermore, we or you may terminate the agreement at any time and for any reason, upon thirty (30) days written notice to the other party.

Upon notice of termination, we 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, we will instruct brokers, dealers, mutual fund sponsors, and others to liquidate and/or transfer the portfolio and remit proceeds to you.

Upon termination, we will refund our unearned asset management fee on a prorated basis as determined by us.

We 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, we 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

Investment Adviser Representatives (IARs) of 1st Global Advisors, Inc. are also Registered Representatives (RRs) of our affiliated broker-dealer, 1st Global Capital Corp. Our IARs may offer financial planning services at no cost. 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, IARs 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.

Furthermore, all 12b-1 fees are retained by us and not paid to the IAR as additional compensation. Therefore, there is no financial incentive present and it is devoid of any potential conflict of interest based on differential compensation.

You have the option to purchase investment products recommended by your IAR through other brokers or agents that are not affiliated with us.

Load-waived mutual funds will and may be chosen for any of our managed account platforms rather than the same mutual fund with a sales charge. This gives us and the IAR the right to determine commission rates paid (zero%) without your specific consent. In addition, trails or service fees may be paid on some load-waived mutual funds and not on no-load funds, both of which may be used within our managed account platforms.

Turn-Key Asset Manager Programs (TAMPs)

We and your IAR may serve as solicitors for third-party investment advisers. We and our IARs 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 us and your IAR a portion of the advisory fee the third-party investment adviser charges you for providing investment management services. We and your IAR may, therefore, have a conflict of interest to refer clients to those third-party investment advisers that pay referral fees to us or to your IAR rather than those that don't. Additionally, we and your IAR may have a conflict of interest to refer clients to those third-party investment advisers that pay higher referral fees over those that pay lower referral fees.

Revenue Sharing Arrangements

Companies for some of the mutual funds we sell 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 IARs, and training and education presentations provided to IARs about the fund's products and services. In return for assistance in facilitating the activities described above, we receive additional compensation, commonly referred to as "revenue sharing," from these fund companies. These fund companies are part of what we call 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 us and your IAR, 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 IAR who sells these funds. Our IARs 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 IARs receive no increase or change in compensation from selling shares of one fund over another, we do not believe that they are subject to a conflict of interest based on the amount of revenue sharing we receive from those companies.

Our IARs, 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 IARs to focus more on those funds that provide the IAR 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
Oppenheimer
Prudential

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; or 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, we 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.

We also receive revenue sharing payments from Wells Fargo on assets invested in the Wells Fargo Stable Return Fund. Wells Fargo will pay a fee equivalent to .75% of assets invested in the fund to us for administrative and record keeping services performed by us, or our agents, related to the purchase, sale or holdings of fund units by all participants on our RMS platform.

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.

Additionally, NFS offers a “No Transaction Fee” program with more than 1,200 no-load mutual funds. Participating mutual fund sponsors pay a fee to NFS to participate in this program, and a portion of this fee is shared with us. None of these additional payments is paid to any IARs who sell these funds.

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 Part 2.

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.

Performance-Based Fees and Side-By-Side Management

We do not charge performance-based fees. However, hedge funds and private equity do charge performance-based fees, and we pass those fees on to you. Please refer to the hedge fund and private equity prospectus/private placement memorandum for a complete description of the performance-based fees.

Types of Clients

Our Clients

We generally provide 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).”

Account Size Minimums

The firm has a \$30,000 minimum balance requirement in order to manage a portfolio for the IMS Flex Choice and IMS Portfolio Choice platform and a \$30,000 minimum for the IMS Select Portfolio Platforms, except for the Core/Satellite and Blended Select Portfolios. The minimum initial investment in the IMS Select Core/Satellite Portfolios is \$200,000 and \$100,000 in the IMS Select Blended Portfolios.

The minimum balance requirement for the IMS Unified Choice Platform is \$500,000, except when utilizing a single asset class portfolio. The minimum balance requirement for a single asset class equity portfolio is \$100,000 and the minimum balance requirement for a single asset class fixed income portfolio is \$250,000.

We may choose to waive these minimums at our sole discretion as circumstances dictate. The most common reason we waive these minimums is when other IMS accounts you own greatly exceed this minimum investment amount.

The minimum balance requirement for 1st Global’s Solicitor Referral Platform is determined by the individual money manager.

Methods of Analysis, Investment Strategies and Risk of Loss

Investment Strategies

Our 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. This philosophy is based on Nobel Prize winning concepts known collectively as modern portfolio theory.

Simply stated, modern portfolio theory teaches that a long-term investment strategy should not focus on short-term results and should not necessarily avoid "risky" investments. In fact, 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.

In 1952, Nobel Laureate Dr. Harry Markowitz took the practice of investing to an entirely new level by developing a process that enabled you to optimize the benefits of diversification. That process is known today as strategic asset allocation. Dr. Markowitz's work has served as the bedrock for smart investing for almost six decades and continues to do so today. We are privileged and honored to have Dr. Markowitz as a partner in the development and monitoring of the asset allocation models used in your Investment Management Solutions (IMS) model portfolios.

Asset allocation takes the idea of diversification one step further by combining multiple asset classes so that no one asset class will have a significant adverse impact on your overall portfolio. The combination of different asset classes allows you to construct efficient portfolios that provide the highest amount of expected return for a given level of expected risk.

Since 1992, we have viewed strategic asset allocation and intellectual rigor as the cornerstone of successful investment management programs.

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

We implement 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. On a quarterly basis, IMRG conducts "back-testing" using data of the longest common time frame available to observe both return and risk information of the asset allocation models.

Due Diligence Process: IMS Select Portfolios and IMS Unified Choice

We are responsible for selecting the investment products used in the IMS Select Portfolios and the investment managers used on the IMS Unified Choice platform. Following is a description of our due diligence process.

Investment Manager Search and Selection

The goal of active manager selection is to identify managers with consistent investment processes that can demonstrate value-added, risk-adjusted performance over time. The evaluation process can be separated into two parts, and the relative importance in the decision-making process is weighted as follows:

- 1. Qualitative Evaluation: 70%** – Evaluation of investments based on people, philosophy, process and implementation (why the investment performs the way it does)
- 2. Quantitative Evaluation: 30%** – Evaluation of the investment based on numerical, statistical or measurable attributes (how the investment performed).

Depending on the platform used (IMS Unified Choice or IMS Select Portfolios), each asset class (and sub-asset class) is normally guided by an internal investment mandate, which is simply a set of rules. This mandate may include a desired range for tracking error versus an appropriate style benchmark, a desired range of correlation to a benchmark (as expressed through quantitative data such as R-squared, beta and active share) and other desired characteristics unique to the sub-asset class.

For the initial search of mutual fund strategies for inclusion within the IMS Select Portfolios, IMRG begins by working from the universe of mutual funds available through NFS. This includes load-waived funds, no-load funds and institutional-class funds. IMRG requires that the mutual fund allow an initial purchase that is congruent with the constraints of the IMS Select Portfolio platform. Any restrictions on early redemptions by the fund will also be reviewed. We prefer to screen for funds that have expense ratios in the bottom half of their appropriate peer group. We also generally require that a mutual fund has a three-year performance track record with the current portfolio manager or investment team.

For investment managers on the IMS Unified Choice platform, we start by identifying managers from database inquiries, referrals, publications and through consultation with our independent third-party due diligence consulting firm, LCG Associates. As an initial step for evaluation for possible inclusion in the IMS Unified Choice program, we send out the IMCA Standardized Investment Manager Questionnaire to the manager to complete.

Quantitative evaluation begins with a list of managers or funds representing a specific asset class, sub-asset class or investment mandate drawn from the available universe. In filtering through initial screening to measure performance, it is critical to assign a relevant benchmark for comparison. IMRG uses R-squared and tracking error to determine the validity of the assigned index.

This initial list is then closely reviewed and sifted based on a proprietary quantitative model that includes several modern portfolio theory analytics (R-squared, Jensen's Alpha, information ratio, Excess Sharpe, etc.).

IMRG will then rank the output using a scoring method that assigns a higher numerical value to those investment managers who have consistently produced value-added performance in a risk-optimizing fashion. The list is then narrowed and further quantitative analysis commences.

Once IMRG has identified candidates, either through quantitative screening or through other sourcing means, a comprehensive qualitative review of virtually every aspect of the investment strategy begins. The qualitative due diligence process is designed to be systematic, so as to maintain organization over the collection of what is often a large amount of material. IMRG makes a special effort to comprehend what differentiates a manager from others in his or her peer group and what can be expected from the fund in different market environments.

Qualitative evaluation includes conducting conference calls or on-site due diligence visits with the investment management team of each candidate.

In the case of the IMS Select Portfolios, additional work is done at this point to evaluate the diversification benefits the new mutual fund brings to the model portfolios as a whole and how well it will work with the other investments in the IMS Select Portfolios. IMRG performs scenario analysis and hypothetical "back-testing" to appraise how well the final candidates under consideration might have performed in concert with the other existing managers in the model portfolios.

Our output rests with the judgment and research findings derived by analyzing variously sourced data and from meetings with managers. Moreover, we must measure an individual manager's risk-adjusted performance not only in isolation, but also its impact on the entire portfolio risk/return characteristics. Further, IMRG chooses managers who, in our investment committee's judgment, best represent the asset classes contained in our asset allocation models and also provide adequate exposure, where applicable, to a range of investment styles (growth, value, momentum, core, focused, etc.) within each asset class.

The final step is for our investment committee to review and deliberate the recommendation(s) as presented by IMRG. At the conclusion of any discussion, the investment committee may request further information or move to vote on the addition or replacement of an investment manager or mutual fund. If the recommendation is approved, the operational process to make the manager available commences.

Investment Manager Monitoring and Review

Investment monitoring continues after the evaluation and selection process stops. On a quarterly basis, IMRG reviews the quantitative aspects of all of the investment managers in the IMS Unified Choice program and the mutual funds within the IMS Select Portfolios.

In addition to internal due diligence efforts, we also draw upon the expertise of LCG Associates to provide additional insights into the investment managers in both the IMS Unified Choice program and the IMS Select Portfolios. Finally, the investment committee reviews and deliberates both internal and external findings on a quarterly basis and more frequently if necessary.

Every quarter, IMRG performs robust quantitative analysis of each investment manager and mutual fund. This evaluation is conducted on both the performance returns of the managers and the underlying holdings within each strategy. This analysis is based on various numerical, statistical and measurable attributes. An overarching goal is to properly examine unexplainable performance and risk variances or deviations from the stated or historical investment process of the manager or fund.

In addition to the quantitative items reviewed on a quarterly basis, IMRG evaluates each investment strategy by studying the manager's written commentary on its investment performance and the market environment. In the case of mutual funds, IMRG examines updated annual or semi-annual reports, prospectuses and other fund company literature. IMRG will also review manager reports from the external due diligence firm and other outside vendors. As often as is necessary, one or more members of IMRG conduct a conference call or engage in written communication with each investment manager.

If it becomes evident that a manager's performance is deviating from expectations, further investigation is initiated and findings are reported to the investment committee. If necessary, an on-site due diligence visit is conducted by members of IMRG.

Our compliance department provides an additional layer of due diligence by reviewing the due diligence files that we prepare on a periodic basis. In addition, on a quarterly basis, LCG Associates completes a report on each investment manager for IMRG and the investment committee. This report details specific qualitative and quantitative items relevant to each investment manager's investment process. On an annual basis, LCG Associates updates its qualitative review of each investment manager and supplies a memo highlighting all significant developments that would impact the forward-looking prospects of the manager. Findings derived from any on-site manager visits are provided as well.

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 we seek to limit any losses, there have been periods of loss in the past, and there will likely be periods of loss in the future.

We and our IARs 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 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 we nor our IARs make any promises, representations, warranties or guarantees that any of our services to be rendered will result in a profit to you. We do not guarantee the future performance or any specific level of performance, the success of any investment decision or strategy that we or an IAR may use or the success of our overall management.

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

We and our IARs 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 we or any of our IARs breach any fiduciary duty owed to you.

Disciplinary Information

In the last ten years, neither we nor any of our management personnel have been charged with or convicted of a felony or misdemeanor. In the last ten years, neither we 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

We have 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

We execute substantially all trades through 1st Global Capital Corp., our affiliated broker/dealer, except for trades in 1st Global's Solicitor Referral Platform, RMS platform and some fixed income trades in our IMS Unified Choice platform. Assets in 1st Global's Solicitor Referral Platform are placed with third-party asset managers. These asset managers choose where to custody assets and execute transactions. We do not participate in the execution of transactions through third-party asset

managers. Some asset managers in the IMS Unified Choice Platform may execute transactions away from NFS in order to obtain better execution, particularly asset managers who trade fixed income securities. Equity asset managers on the IMS Unified Choice platform provide us with a model of securities. When you choose a particular equity asset manager, we trade your account to match the model provided by that equity asset manager. Unlike equity asset managers who provide us with a model, fixed income asset managers trade your account on an individual basis. Bonds are purchased by fixed income asset managers for your specific account that we then transfer into your account. There may be costs such as mark-ups or mark-downs associated with those trades placed away from NFS that you will incur. IARs may consider the existence of these mark-ups and mark-downs when determining the annual advisory fee.

As part of the IMS platforms offered to you, 1st Global Capital Corp. provides brokerage execution services to our advisory clients participating in all of our IMS platforms except 1st Global's Solicitor Referral Platform. We and our IARs make securities recommendations to you (or, in the case of discretionary services, make investment decisions for you) regarding our IMS platforms. Where permitted by law, we 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. To the extent we are the registered investment adviser or sponsor to your IMS platform, we receive compensation for our services. You should be aware that these fees, payments, and other compensation may present a potential conflict of interest because we may have a greater incentive to recommend those investment advisory products or platforms or make investment decisions regarding investments that provide such additional compensation to us.

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 3040, 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

All assets in the IMS platforms, except for 1st Global's Solicitor Referral Platform and Retirement Management Solutions, are custodied through NFS. Client assets placed with 1st Global's Solicitor Referral Platform are placed with a custodian chosen by the individual third-party asset manager. All assets on the Retirement Management Solutions Platform will be custodied with MG Trust Company, LLC.

IMS Unified Choice "Wrap-Fee" Asset Managers

We compensate IMS Unified Choice asset managers from the advisory fee at fee rates that are based on a percentage of the value of the total assets of the platform that are invested in accordance with the respective asset manager's model portfolios. These fee rates are based on, among other things, asset class, investment style and assets allocated to that particular asset manager.

All of the fees we pay IMS Unified Choice fixed income managers are the same and all of the fees we pay IMS Unified Choice equity asset managers are the same, currently. There is no incentive for one manager to be chosen over another because they all charge the same fee.

In the future, it is possible that the fees we could pay to each IMS Unified Choice asset manager for use of their model portfolios could vary among the asset managers. If that were to occur, a potential conflict of interest would arise for us because net revenues may be higher if those model portfolios of asset managers to whom we pay lower fees than other asset managers are included in your account(s).

We use several IMS Unified Choice asset managers. Asset managers currently available in the IMS Unified Choice platform (subject to change without notice) include:

- Navellier & Associates Inc.,
- MFC Global Investment Management,
- Boyd Watterson,
- Neuberger Berman LLC,
- Eagle Global Advisors LLC,
- RNC Genter Capital Management,
- Riverbridge Partners, LLC,
- Adelante Capital Management,
- SeaCap Investment Advisors,
- Optique Capital Management,

- Kayne Anderson Rudnick Investment Management, LLC,
- Geneva Capital Management Ltd,
- Todd/Veredus Asset Management,
- Robeco Investment Management, Inc.,
- Argent Capital Management, LLC,
- Philadelphia International Advisors, LP,
- Chartwell Investment Partners,
- Ironwood Investment Management, LLC,
- Ellesar Investment Management, LLC
- C. S. McKee, and
- Laffer Investments, Inc.

We have engaged Dr. Arthur B. Laffer and Laffer Associates as an economic advisor to our Investment Management Solutions (IMS) investment committee and as a consultant to our executive management team. In this role Dr. Laffer and Laffer Associates provide analysis and advice regarding the current economic environment and its implications for not only the general business climate but also its impact on the decisions made by our IMS investment committee. Neither Dr. Laffer nor Laffer Associates are voting members of the IMS investment committee. Laffer Associates is a wholly owned entity of the Laffer family, including Dr. Arthur B. Laffer and Arthur B. Laffer, Jr. Laffer Investments, Inc. is an affiliate of Laffer Associates. Dr. Laffer is Chairman of both firms and Mr. Laffer is President of both firms.

Laffer Investments, Inc. is an asset manager available on the IMS Unified Choice platform. This presents a potential conflict of interest because an affiliate of Laffer Investments, Inc., Laffer Associates, advises the IMS investment committee which is responsible for choosing the asset managers available on the IMS Unified Choice platform.

Additionally, our CEO Tony Batman serves on the board of The Laffer Center for Supply-Side Economics. Founded in 2011, this organization is dedicated to preserving and promoting the core tenets of supply-side economics. The Laffer Center is named after Dr. Arthur B. Laffer and seeks to be the leading source for supply-side research and thought, including the research and published works of other economists and thought leaders whose ideas have played an instrumental role in the supply-side movement in the United States and abroad. As described above, Dr. Laffer is affiliated with Laffer Consultants and Laffer Investments, Inc. As a voting member of the IMS investment committee, Mr. Batman votes on which asset managers are made available on the IMS Unified Choice platform.

When consulted, we may recommend Laffer Investments, Inc. to our IARs if appropriate given a client's investor profile. It should be noted, however, that neither we nor our IARs receive any additional benefit from utilizing Laffer Investments, Inc. over any other asset manager available on the IMS Unified Choice platform. Our IARs ultimately decide which asset managers to recommend to you and they are under no obligation to recommend Laffer Investments, Inc.

[Turn-Key Asset Manager Programs \(TAMPs\)](#)

We and your IAR may serve as solicitors for third-party investment advisers. We and our IARs 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 us and your IAR a portion of the advisory fee the third-party investment adviser charges you for providing investment management services. We and your IAR may, therefore, have a conflict of interest to refer clients to those third-party investment advisers that pay referral fees to us or to your IAR rather than those that don't. Additionally, we and your IAR may have a conflict of interest to refer clients to those third-party investment advisers that pay higher referral fees over those that pay lower referral fees.

[Independent Registered Investment Advisers](#)

Some of our IARs are also owners or IARs 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 are offered for compensation. This compensation is paid to the independent Registered Investment Adviser. 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. We receive 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. We receive 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 IARs 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. We receive no portion of this compensation. You are not obligated to use any of these individuals for insurance product purchases.

We are 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 IARs 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.

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, we have 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 we meet 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 we keep your interests first at all times. We distribute our Code of Ethics to each supervised person at our firm at the time of his or her initial affiliation with our firm; we make sure it remains available to each supervised person for as long as he or she remains associated with our firm; and we ensure 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 address 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 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 for compensation 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., 8150 N. Central Expressway, Suite 500, Dallas, TX, 75206 or by email to compliance@1stglobal.com.

Participation or Interest in Client Transactions and Personal Trading

Generally, we do not buy or sell securities for our own account that we recommend to (or purchase or sell for) you. Our IARs, 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. We always give a higher priority to your transactions than our own transactions. When we or an IAR recommend trades to you, and we, the IAR or related persons also plan to buy or sell the same security, we give you the opportunity to decide on the recommendation and place a trade before we or a related person executes a trade in the same security. Also, if we 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. We have implemented surveillance and exception reports designed to identify and correct situations in which the personal securities transactions of IARs are placed ahead of yours.

Brokerage Practices

General

We render 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. We maintain a clearing relationship for the execution of client transactions with NFS. Assets in 1st Global's Solicitor Referral Platform are placed with third-party asset managers. These asset managers choose where to custody assets and execute transactions. We do not participate in the execution of transactions through third-party asset managers. Some asset managers in the IMS Unified Choice platform may execute transactions away from NFS in order to obtain better execution, particularly asset managers who trade fixed income securities. There may be costs such as mark-ups or mark-downs associated with those trades placed away from NFS that you will incur. Transaction fees may be charged for securities transactions executed through 1st Global Capital Corp. Transaction fees are necessary to process trades; they are not commissions.

RMS assets are handled by a third-party record-keeper, July Business Services ("July"). July has chosen to partner with MG Trust Company, LLC to execute transactions and custody assets.

Our affiliated broker-dealer has negotiated competitive pricing and services with NFS for your benefit. NFS offers their broker-dealer clients substantial financial strength and stability of scale, and reliable, state-of-the-art technology.

Our clients do not generally have the option to direct securities brokerage transactions to other broker-dealers or other account custodians. If, however, we were to approve the use of a broker-dealer other than NFS for the execution of securities transactions, you should be aware that we will generally be unable to negotiate commissions or other fees and charges for your account, and we would not be able to combine your transactions with those of other clients purchasing or selling the same securities (batched trades), as discussed further below. As a result, we would be unable to ensure you receive “best execution” with respect to such directed trades. We 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, we do receive an economic benefit from using our affiliated broker-dealer for our IMS platform accounts rather than an unaffiliated broker-dealer. For example, we add our own costs to the transaction charges applied to your IMS accounts by NFS. As broker-dealer of record, 1st Global Capital Corp. also receives the mutual fund and money market 12b-1 fees charged to you by the underlying funds that you own. This additional compensation received by our affiliated broker-dealer may create a conflict of interest with you. Additionally, even though we monitor 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.

We will not participate/vote in class action lawsuits on your behalf.

Best Execution

We seek 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). We 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 IARs 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 IARs 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 we or your IAR are utilizing model portfolio management strategies.

We and our IARs effect batched transactions in a manner designed to ensure that no participating client obtains a more favorable execution price over any other client. When we or your IAR 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. We or your

IAR 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 we are unable to fully execute a batched transaction and we determine that it would be impractical to allocate a small number of securities among the accounts participating in the transaction on a pro rata basis, we may allocate such securities in a manner determined in good faith to be fair and equitable to the clients involved.

Different asset managers on the IMS Unified Choice Platform provide trade order signals at varying times throughout the business day. It is possible that more than one IMS Unified Choice asset manager will purchase the same security at different times on the same day. In this case, you may have the same security purchased more than once in a given day at different average share prices.

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.

We do not receive research or other products or services other than execution from any broker-dealer or other third party.

Brokerage for Client Referrals

We do not consider, in selecting or recommending broker-dealers, whether we or any related person receives client referrals from the broker-dealer.

Directed Brokerage

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

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. We utilize 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 IARs 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. There are a wide variety of reports and supervisory controls in place to review our accounts. Among some of the reports utilized by us to conduct these reviews are the following:

Account out of balance to target allocation – This quarterly report is designed to identify accounts with an asset class out of balance to the original target allocation by 10% or more.

Account with less than \$10,000 –This monthly report is designed to identify accounts with a balance less than \$10,000 and therefore well below our stated account size minimums.

7.5% Equity Monitor - This monthly report is designed to identify accounts with a single equity position that is equal to or greater than 7.5% of the total account value. The purpose of the report is to address violations of our 5% guideline, which states, a single equity position should not be greater than 5% of the total account value. The rule is designed to identify concentration issues for further analysis and potential action.

60% Equity Monitor –This monthly report is designed to detect accounts which have 60% or more of individual equity exposure in an account. This purpose of the report is to identify accounts that are managed primarily with equity securities, which we consider to be worthy of further analysis and potential action.

Closed account with a balance for more than 45 days –This monthly report is designed to identify accounts that have been closed for more than 45 days but still have a balance.

Daily NFSC Advisory Exception Report –This daily report is designed to identify purchases for which a client was erroneously charged a commission and to also monitor for contingent deferred sales charges and short-term redemption fees.

IMS Account Implementation Report –This daily report is designed to identify accounts that have been opened but are not yet implemented in accordance with the IPS.

Mutual Fund A-share Short-Term Redemption Report –This monthly report is designed to identify A-share liquidations which incurred a short-term redemption fee.

Mutual Fund Redemption Report- B shares –This monthly report is designed to identify B-share liquidations which incurred a redemption fee.

Mutual Fund Redemption Report- C Shares - This monthly report is designed to identify C-share liquidations which incurred a redemption fee.

Front Running Report –This monthly report is designed to identify cases where your advisor may have purchased a stock position in their own account just before the same stock is purchased in your account.

Personal Securities Transactions – This report is reviewed quarterly and used to identify potential violations of our Code of Ethics.

IMS Portfolio Choice, IMS Select Portfolio and the IMS Unified Choice platform accounts utilize an automatic rebalance process designed to assure alignment with your stated asset allocation.

With the exception of RMS and 1st Global's Solicitor Referral Platform accounts, you will receive monthly statements from the account custodian or clearing firm, if your account(s) have activity during the month. If the account does not have any monthly activity, an account statement is provided by the account custodian or clearing firm at least quarterly. Such statements will show any activity in the account, as well as period ending position balances.

With the exception of 1st Global's Solicitor Referral Platform accounts, we provide portfolio performance reports to IARs for distribution to clients quarterly. These reports are usually prepared not later than 20 business days after the end of each calendar quarter.

With the exception of 1st Global's Solicitor Referral Platform accounts, all performance reports that we prepare are electronically audited for accuracy prior to being provided to IARs 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 by our staff before being provided to IARs for distribution to you. Our 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. Comparing statements will allow you to determine whether account transactions, including deductions to pay advisory fees, are proper.

Client Referrals and Other Compensation

We and/or our IARs may receive client referrals from outside solicitors (usually attorneys, CPAs or other professionals). The solicitor typically receives a portion of the fees charged to you, but in no event will you be charged additional fees to offset those paid to the solicitor. Proper licensing (if required by the states) will be maintained by the solicitors and full disclosure will be made to you in writing.

We and your IAR may serve as solicitors for third-party investment advisers. We and our IARs 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 us and your IAR a portion of the advisory fee the third-party investment adviser charges you for providing investment management services. We and your IAR may, therefore, have a conflict of interest to refer clients to those third-party investment advisers that pay referral fees to us or to your IAR rather than those that don't. Additionally, we and your IAR may have a conflict of interest to refer clients to those third-party investment advisers that pay higher referral fees over those that pay lower referral fees.

Custody

All of our IMS advisory accounts, except accounts opened on 1st Global's Solicitor Referral Platform, use 1st Global Capital Corp., our affiliated broker-dealer, as 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 except RMS clients whose assets are custodied with MG Trust Company, LLC.

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. Clients of the IMS Unified Choice platform may elect to receive confirmations on a quarterly basis via a quarterly confirmation report that will include all information relevant to the trade. By choosing to waive the right to receive daily confirmations, you authorize us to establish online view only access for your account. You will receive a letter from 1st Global Capital Corp. that includes instructions for logging on to the web site as well as a user ID and password. In addition, we will provide quarterly performance reports to assist in monitoring of the account.

With the exception of 1st Global's Solicitor Referral Platform accounts, we provide portfolio performance reports to IARs for distribution to you quarterly. These reports are usually prepared not later than 20 business days after the end of each calendar quarter.

With the exception of 1st Global's Solicitor Referral Platform accounts, all performance reports that we prepare are electronically audited for accuracy prior to being provided to IARs 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 by our staff before being provided to IARs for distribution to you. Our 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. Comparing statements will allow you to determine whether account transactions, including deductions to pay advisory fees, are proper.

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. We are deemed to have custody since our *related person*, 1st Global Capital Corp. performs these operational functions for you.

Investment Discretion

We provide investment advice to the vast majority of our managed account clients on a discretionary basis, pursuant to written authorization granted by you, to us and your IAR.

IMS Select Portfolios will be managed on a discretionary basis. We will have full authority as your agent and attorney-in-fact to manage the assets in your account on a fully discretionary basis. For all services, this discretionary authority includes the authority, without first consulting you: to determine the portion of assets in your account that shall be allocated to each investment or asset class and to change such allocation of assets as necessary; to take any and all other actions on your behalf that we determine is customary or appropriate for a discretionary investment adviser to perform, including the authority to buy, sell, select, remove and replace securities, including mutual fund shares, stocks, bonds and other investments for the account; and to select the broker-dealers or others with which transactions for the account will be effected. Neither we nor your IAR 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.

IMS Portfolio Choice portfolios will be managed on a discretionary basis. We will have the 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 be bought or sold 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. Neither we nor your IAR 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.

Your IMS Flex Choice account may be a discretionary account for which the IAR 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 IAR to utilize discretion in the account. Neither we nor any IAR 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.

IMS Unified Choice portfolios will be managed on a discretionary basis. We will have full authority as your agent and attorney-in-fact to manage the assets in your account on a fully discretionary basis. For all services, this discretionary authority includes the authority, without first consulting you: to determine the portion of assets in your account that shall be allocated to each investment or asset class and to change such allocation of assets as necessary; to take any and all other actions on your behalf that we determine is customary or appropriate for a discretionary investment adviser to perform, including the authority to buy, sell, select, remove and replace securities, including mutual fund shares, stocks, bonds and other investments for the account; and to select the broker-dealer or others with which transactions for the account will be effected. Neither we nor any IAR 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.

Voting Client Securities

With regard to the IMS Flex Choice, IMS Portfolio Choice, 1st Global's Solicitor Referral Platform, IMS Select Portfolios and Retirement Management Solutions platforms, neither we nor IARs 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.

For the IMS Unified Choice platform, we engage the services of Institutional Shareholder Services (ISS) to provide execution of proxy votes for you. ISS will vote proxies for all accounts in the IMS Unified Choice platform unless you are an ERISA client and have retained proxy-voting responsibility.

ISS provides timely execution of specified proxy votes for the accounts on your behalf, in accordance with the proxy voting guidelines provided to ISS by us. Our procedures are designed to ensure that proxies are voted in a manner that is in your best interest, which may result in different voting results for proxies for the same issuer. We consider those factors that relate to your investment, including how its vote will economically impact and affect the value of your investment (keeping in mind that, after conducting an appropriate cost-benefit analysis, not voting at all on a presented proposal may be in your best interests).

ISS maintains records of voting decisions, shares voted, and justification of votes.

We will generally vote in accordance with management's recommendations as to matters dealing with:

- Election of directors (where no corporate governance issues are implicated)
- Selection of independent auditors

- Increases in or reclassification of common stock
- Amendments of Articles of Incorporation or by-laws to coincide with changes in Federal or State regulations
- Changes in the board of directors
- Outside director compensation
- Proposals that maintain or strengthen the shared interests of shareholders and management
- Proposals that increase shareholder value
- Proposals that will maintain or increase shareholder rights or influence over the issuer's board of directors and management.

You may obtain a complete list of all proxy voting policies or request a record of how proxies for specific securities were voted by submitting a request in writing to 1st Global Advisors, Inc., 8150 N. Central Expressway, Suite 500, Dallas, TX, 75206.

Financial Information

Not applicable.