

Brochure
(Part 2A for Form ADV)

Retirement Plan Clients

Kestra Advisory Services, LLC

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This brochure provides information about the qualifications and business practices of our firm, Kestra Advisory Services, LLC. If you have any questions about the contents of this brochure, please contact us at 512-697-6000 or contact your financial advisor.

The U.S. Securities and Exchange Commission, as well as state securities authorities, have not approved or verified information in our brochure. Additional information about our firm may be found at www.adviserinfo.sec.gov.

References to our firm as a “registered investment adviser” or any reference to being “registered” does not imply a certain level of skill or training.



Material Changes

This section of our brochure summarizes material changes that have occurred at our firm since the previous release of our brochure. We will update this section of the brochure on an annual basis and send a summary of any material changes at our firm along with our annual privacy policy mailing. You may receive a complete copy of our brochure by contacting your financial advisor or by contacting our firm at 512-697-6464.

Since our last annual update the following material changes occurred:

Kestra Advisory Services, LLC (Kestra AS) a wholly owned subsidiary of Kestra Financial Holdings, LP was purchased by affiliate funds of Stone Point Capital, LLC. As a result, Kestra AS is no longer under common control with NFP Corp., its affiliates, or subsidiaries.



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Advisory Business

Introduction

This brochure describes the investment advisory services we provide to clients that either are or sponsor a retirement plan (Plan) that is qualified under Internal Revenue Code and/or subject to the Employee Retirement Income Security Act (ERISA) or is a Plan that is considered nonqualified. **This Summary Disclosure Statement is only for use with Plan clients; if you are not a Plan client, please contact your Advisor to obtain the proper Brochure.**

In addition to being an investment adviser, our affiliate, Kestra IS, is a broker/dealer and insurance agency. We provide securities (such as stocks, bonds, mutual funds and variable insurance, among others), investment advice and other financial services to clients. We provide investment advice through financial advisors registered with our firm. We refer to these financial advisors as "Advisors" in this brochure. Most of our Advisors are also registered representatives of our affiliate broker/dealer. In addition, many of our Advisors also act as insurance agents independent from our firm. We generally do not provide fixed insurance products or services. To the extent your Advisor provides fixed insurance products or services, he or she does so outside of our firm and supervision.

The types of services our Advisors provide Plan clients are described in more detail below. Generally, these services include vendor searches and benchmarking, plan design strategies and analysis, fiduciary consulting and oversight, plan level investment advice and employee education services. The specific services an Advisor provides, and the fee for those services, may differ from Advisor to Advisor. The fees you will pay and the services you will receive are set forth in a separate Retirement Plan Consulting Agreement (Consulting Agreement) with you, the Advisor and our firm.

There are significant differences between brokerage and advisory services, which are governed by different regulations, offer different compensation structures, and place different obligations on your advisor. The services provided for brokerage and advisory also differ, and one arrangement may provide a lower overall cost than the other. Compensation for brokerage accounts is typically commission-based, although your advisor may also collect certain fees, such as 12b-1 fees. Compensation for advisory services is typically fee-based: either a flat fee or one based on a percentage of assets being advised or managed. In some instances, commissions might be the only compensation available. Your advisor will either offset the fees assessed by the commissions received or will not assess a fee for those assets for a period of time.



Services

MANAGE VENDOR RELATIONSHIPS

Advisors act as liaison between the Plan and third-party vendor(s) that provide services to the Plan. Advisors bring new ideas and capabilities for the Plan to consider from current vendors and the industry in general. In providing these services, Advisors may negotiate fees charged by vendors and assist the Plan to manage its vendor expenses. An Advisor can also assist a Plan with the selection of new vendors. Advisors may manage the Request for Proposal (RFP) process among prospective vendors. During the RFP process, Advisors conduct market analysis, negotiate with vendors, evaluate the RFPs and, as applicable, coordinate vendor presentations. Ultimately, Advisors provide Plan clients their analysis of the RFPs and a recommendation on a new vendor(s). In reviewing and recommending vendors, Advisors typically consider the administrative, recordkeeping, compliance, employee communications and investment-related services provided by the vendor, as well as the fees for their services. Finally, Advisors may facilitate and manage the conversion process of changing vendors by, among other things, providing sample letters and correspondence and monitoring action items during the conversion process.

PLAN DESIGN STRATEGIES AND ANALYSIS

Advisors evaluate a Plan client's design by reviewing relevant design features, such as age and length of service, eligibility requirements, vesting, forfeitures, employer matching contributions formulas, entry and re-entry dates and other pertinent design features. Further, Advisors may provide updates on new legislation as well as advice on implementation of new plan design capabilities and their potential impact to the Plan and its participants. Advisors typically review compliance testing annually to determine if there are efficiencies that can be gained by plan design changes.

FIDUCIARY CONSULTING AND OVERSIGHT

Advisors may assist the plan fiduciaries named in the Plan's organizational documents (Named Fiduciaries) to comply with their obligations under ERISA Section 404(a). Such services include assisting with the creation of an investment policy statement (IPS) for the Plan, creating Plan investment committees and coordinating those committees' functions and activities. In addition, some Advisors assist the Plan and Named Fiduciaries in performing an audit designed to comply with Section 404(c) of ERISA. These services include providing a checklist of the latest industry accepted standards with respect to 404(c) compliance and plan efficiency and working with the Plan and Named Fiduciaries to complete the checklist. The checklist typically delineates responsibilities for fulfilling tasks among the vendor, Plan and Advisor.

PLAN-LEVEL INVESTMENT ADVICE

Advisors provide plan-level investment advice by recommending investment vendors, platforms and options for the Plan to make available for participants. In addition, Advisors monitor performance, risk and expense reports for the of the Plan investment options, recommend specific actions and develop an overall asset allocation strategy for Plan clients. In providing plan-level investment advice, Advisors may provide research and analysis regarding investment advice, fiduciary due diligence services and investment products and services. The Advisor may



employ many different calculations, processes and screening techniques to arrive at specific recommendations within the array of investments options offered by each Plan vendor. Such calculations, processes and screening techniques include investment analysis by asset class, market capitalization and investment objective; a review of performance relative to applicable benchmarks and comparable investment options; a review of financial strength, stability and the reputation of the investment vendor; analysis of the individual investment options available through the vendor; a review of the tenure and experience of investment management personnel and the investment philosophy, process, and style of the vendor; and an analysis of the investment fees.

In providing plan-level investment advice, we and your Advisor acknowledge that each is a “fiduciary” with respect to assets of the Plan as ERISA defines that term under Section 3(21)(A)(ii) to the extent it renders investment advice with respect to any moneys or property of such Plan, or has any authority or responsibility to render such investment advice. We may also serve as a fiduciary as defined by ERISA under Section 3(38) by exercising any discretionary authority or control in the management of the plan or disposition of the plan's assets To the extent they are fiduciaries, Kestra AS and Advisor each acknowledge that it is subject to and will at all times exercise the standards of fiduciary responsibility set forth in Title 1, Subtitle B, Part 4 of ERISA.

EMPLOYEE EDUCATION SERVICES

An Advisor may provide employee education services by conducting meetings with employers and employees on an annual, semiannual or quarterly basis or at other times you may agree on with your Advisor. The scope of the meetings will be for a group or on an individual basis and can be conducted either on site or via teleconferencing as you agreed with your Advisor. An Advisor may conduct employee surveys to determine interest in specific topics and provide other communication services to employees regarding investment education. Finally, Advisors may assist employees with enrollment and re-enrollments in the Plan.

Types of Investments

We and our Advisors may offer a wide variety of platforms, products, and services to clients. As a general matter, Advisors are free to choose the products and services they make available to clients, subject to applicable rules and regulations, suitability, appropriate licensure and other policies and procedures. Some Advisors may not consider or be able to offer all of the products and services available through our company.

In some instances, recommendations to one client may be considered appropriate for another one of our other clients. Advisors may recommend similar investments to numerous clients with similar or identical investment objectives or to clients with different objectives. Despite such similarities, recommendations relating to investments and the performance resulting from such recommendations will differ from client to client. We will not necessarily make the same recommendations for all eligible clients. Therefore, not all clients will necessarily be able to participate in the same investment opportunities or participate on the same basis.

You should promptly notify us if there is ever any change in your financial situation or investment objectives since it may cause us to review evaluate or revise our previous recommendations and services to you.



As of December 31, 2015, we managed approximately \$12,254,000,000 in assets for approximately 54,400 clients. Approximately \$7,744,000,000 is managed on a discretionary basis, and approximately \$4,510,000,000 is managed on a non-discretionary basis.

Fees and Compensation

Fees

Advisors charge Plan clients for the services above either a flat fee or an asset-based charge in accordance with the ranges described below. Fees for services are negotiable and may vary depending on the facts and circumstances of a specific Plan, such as the scope of services to be provided, the duration of services and the size of the Plan client, such as the number of employees, amount of assets and other demographic factors. Our flat fees generally range from \$10,000 to \$100,000, but can be more or less as agreed to with your Advisor; asset-based fees are based upon the market value of the Plan assets and generally range from 0.25 percent to 1 percent of Plan assets. In accordance with ERISA and corresponding interpretations, an Advisor may offset their fees by the amount of payments, if any, received from other sources.

GENERAL INFORMATION ON OUR FEES

You may pay an asset-based fee on a quarterly basis in advance or arrears, as determined between you and your Advisor. All fees are negotiable, subject to the maximum amounts set forth above. We may waive or charge a lesser fee from time to time for our services. The fees we charge may be higher or lower than those charged by other advisers for comparable services. The fees that we charge to manage assets in your account may be more than the amount you would pay us to buy or sell securities on a commission basis in a non-managed account.

OTHER INFORMATION ON FEES AND COMPENSATION

You may pay advisory fees to us by check, wire or by authorizing the deduction of fees from an account with us. If you authorize us to deduct fees from your account, you are responsible for fees, charges and other costs associated with the fee deduction. When fees are deducted from accounts, the Advisor or account custodian will send you information reflecting the amount of fees deducted and the asset value upon which the fee is calculated. You will receive a statement at least quarterly from your account custodian showing all amounts disbursed from your account, including the advisory fees paid to us. In the event that we bill you directly for our fees, payment is due upon receipt of our invoice.

Our Advisors may offer a wide variety of securities products and services since we are an investment adviser and are affiliated with a broker/dealer and insurance agency. In addition, the commissions, fees and other forms of compensation paid in connection with the purchase or sale of products and services vary. Accordingly, Advisors may have a conflict of interest to the extent they recommend products or services that pay more compensation than other similar products or services available through us.

Although we are affiliated with an insurance agency, we typically do not sell fixed or general account life insurance products or annuities other than certain equity index annuities. Some of



our Advisors, in their individual capacities as insurance agents may recommend you purchase fixed or general account insurance products or annuities on a commission basis. As a general matter, we do not oversee and are not responsible for these insurance sales. Our Advisors may also provide advice on corporate or health benefits for clients and receive fees in addition to advisory fees, as allowed by applicable law.

We may recommend various third-party investment vehicles that are subject to initial and ongoing expenses and fees, such as sales loads, servicing fees and management fees. Examples of these collective investments and financial products are mutual funds and variable insurance products. The initial and ongoing expenses and fees of these investment vehicles are disclosed in the applicable offering document of the investment, and are payable by you in addition to any fee we and our Advisors charge. If you purchased investments through another firm and transfer them to an account with us, you may likewise pay ongoing fees and expenses to the investment product sponsor, or its affiliates, in addition to the fees we charge. For example, if you purchase mutual funds through another company and subsequently transfer those mutual funds to an account with us, you will typically pay ongoing fees and expenses to the mutual fund company in addition to the fees we charge.

Performance-based Fees and Compensation

We and our Advisors do not charge performance-based fees.

Types of Clients

We provide investment advice to Plan clients qualified under Sections 401(a), 401(k), 403(b) or 457(b) of the Internal Revenue Code of 1986 and/or subject to the Employee Retirement Income Security Act of 1974 (ERISA) or which are otherwise considered nonqualified.

We also provide investment advice and services to individuals, corporations and other business organizations, trusts, estates and charitable organizations. We generally require a minimum account level of \$25,000 for new accounts of these types of clients, although we may waive the account minimum from time to time at our discretion. More information on the services we provide non-Plan clients may be found in our other Client Brochure.

Methods of Analysis, Investment Strategies and Risk of Loss

We analyze investment providers, retirement plan platforms and other service providers by reviewing the background of the vendor, processes used by the vendor and any applicable disclosure documents. We also make available resources from affiliated and unaffiliated third parties for Advisors to use in evaluating the services to provide their Plan clients. Advisors may perform their own research from third-party resources that are generally available to the public. Performance reports may use a Modified Dietz, Money Weighted Rate of Return or Internal Rate of Return for calculations. It is also possible that systems may change, which would



change the methodology used to calculate performance to a Time Weighted Rate of Return.

While we do not have a firm-wide investment strategy, many of our Advisors recommend various forms of strategic asset allocation. An investment strategy is based upon objectives you define in consultation with your Advisor. You may change these objectives at any time. Other strategies an Advisor may use include long-term buy and hold, short-term purchases, trading, short sales, margin transactions and option writing (including covered options, uncovered options or spreading strategies).

Any investment or investment strategy involves some risk of loss you should be prepared to bear. Examples of risk you could face are:

- *Interest rate Risk:* Fluctuations in interest rates may cause investment values to fluctuate. For example, market values of bonds typically decline when interest rates rise, because the rising rate makes the existing bond yields less attractive.
- *Market Risk:* External factors independent of a security's particular underlying circumstances may impact its value. The value of a security, bond or mutual fund may drop in reaction to tangible and intangible events and conditions, such as a political or social event or an economic condition.
- *Inflation Risk:* Inflation means a dollar today may buy more than a dollar next year. When inflation is present, your purchasing power typically decreases at the rate of inflation.
- *Currency Risk:* Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. Also known as exchange rate risk, these risks may be present in international mutual funds for example. We typically do not recommend purchases of overseas investments.
- *Reinvestment Risk:* The risk that future proceeds from investments may be reinvested at a potentially lower rate of return is reinvestment risk. This risk primarily relates to fixed income securities.
- *Business Risk:* Risks associated with a particular industry or a specific company may impact the value of investments. For example, oil-drilling companies typically have more business risk than electric companies, since they depend on finding oil and then refining it efficiently before they may generate a profit. An electric company generates steady income from customers who buy electricity no matter what the economic environment is like.
- *Liquidity Risk:* Liquidity means the ability to readily convert an investment into cash. Assets with many purchasers are generally more liquid. For example, Treasury Bills are highly liquid, while real estate properties are less so.
- *Financial Risk:* A company with excessive borrowing or that takes significant business risks to generate profit is typically at a greater risk of financial difficulty or failure.

Disciplinary History

On July 19, 2016, Kestra AS agreed to pay \$100,000 to the Commonwealth of Massachusetts for failing to register its investment adviser representatives who had a place of business in Massachusetts and ensure that its representatives were properly registered with the Commonwealth prior to providing investment advisory services. Our affiliate broker-dealer has periodically been subject to administrative sanctions by state and self-regulatory agencies. We



have publically disclosed these events in more detail on our broker/dealer Form BD and the Investment Adviser Public Disclosure system. A summary of the events is provided below for your reference.

On July 16, 2015, Kestra IS agreed to pay FINRA, our affiliate broker-dealer regulator, \$500,000 for allegedly failing to supervise the private securities transactions of registered representatives registered with an Registered Investment Advisers other than Kestra AS, allegedly failing to preserve certain securities-related email, allegedly failing to approve and preserve certain advertising materials, and allegedly failing to update Form U4 for certain representatives in a timely fashion.

On June 20, 2012, Kestra IS agreed to pay FINRA, our affiliate broker/dealer regulator, \$43,121.39 for allegedly charging an excessive markup on several corporate bond transactions.

Pursuant to an arbitration award on Nov. 30, 2011, Kestra IS paid \$1,308,752.45 to a client for alleged damages in connection with the client's 2006 purchase of insurance and a separate investment opportunity. In addition, the client alleged failure of the Advisor to rebalance the client's investment portfolio in 2006.

On April 6, 2011, NFPAS (predecessor to Kestra IS) agreed to pay FINRA, our affiliate broker/dealer regulator, \$50,000 for allegedly allowing misleading advertising and sales literature to be used with customers.

On July 15, 2009, NFPAS (predecessor to Kestra IS) agreed to pay FINRA, our affiliate broker/dealer regulator, \$7,500 for failing to timely report all necessary information regarding the purchase and sale of municipal securities in accordance with the systems and manner required by FINRA.

On Oct. 5, 2007, NFPAS (predecessor to Kestra IS) agreed to pay FINRA, our affiliate broker/dealer regulator, \$12,000 for failing to timely file termination notices of registered representatives and other reports regarding certain events related to our broker/dealer activities.

On July 14, 2006, NFPAS (predecessor to Kestra IS) agreed to pay FINRA, our affiliate broker/dealer regulator, \$7,500 for failing to keep evidence and records of checks received in our blotter in accordance with SEC and FINRA rules.

On March 22, 2004, NFPAS (predecessor to Kestra IS) agreed to pay NASD (predecessor to FINRA), \$25,000 for allegedly allowing misleading advertising and sales literature to be used with customers.

On April 27, 2000, NFPAS (predecessor to Kestra IS) paid the State of Florida Division of Securities \$10,000 for failing to timely register a branch location in the state of Florida.

Other Financial Industry Activities or Affiliations



Kestra IS and Kestra AS are subsidiaries of Kestra Financial, Inc. Kestra IS, our broker-dealer affiliate, introduces accounts on a fully disclosed basis to National Financial Services (NFS) or other custodian/clearing firms we or you engage from time to time. NFS provides clearing services for Kestra IS and its customers, and we may receive execution price discounts and other compensation from these companies. In addition, pursuant to our clearing agreement with NFS, NFS may remit shareholding servicing fees for money market mutual funds affiliated with or specified by NFS in amounts set forth in the prospectus or other offering document for such funds. Kestra IS or your Advisor may receive compensation, in addition to the advisory fees you pay, when portfolio transactions are effected on behalf of investment advisory clients through our affiliate broker/dealer. We may receive compensation as a result of acting in one or both capacities. We and your Advisor may receive securities commissions or fees from third parties if you purchase investment products through us. The potential for such payments may create a conflict of interest to the extent we recommend products for which we receive additional compensation. Kestra IS is also an introducing broker-dealer to the National Futures Association, which may have the potential to create a conflict of interest.

There are significant differences between brokerage and advisory services, which are governed by different regulations, offer different compensation structures, and place different obligations on your advisor. The services provided for brokerage and advisory also differ, and one arrangement may provide a lower overall cost than the other. Compensation for brokerage accounts is typically commission-based, although your Advisor may also collect certain fees, such as 12b-1 fees. Compensation for advisory services is typically fee-based: either a flat fee or one based on a percentage of assets being advised or managed. In some instances, commissions might be the only compensation available. Your Advisor will either offset the fees assessed by the commissions received or will not assess a fee for those assets for a period of time.

A client may, but is not obligated to, engage certain of our Advisors, in their individual capacities as registered representatives of Kestra IS, a FINRA member broker-dealer, to implement investment recommendations on a commission basis. In the event the client chooses to purchase investment products through Kestra IS, the broker-dealer will charge brokerage commissions to effect securities transactions, a portion of which commissions will be paid to Kestra AS's Advisors. The brokerage commissions charged by Kestra IS may be higher or lower than those charged by other broker-dealers. In addition, Kestra IS, may receive ongoing 12b-1 trailing commission compensation relating to mutual fund purchases made for a client account, directly from the mutual fund company, during the period that the client maintains the mutual fund investment.

Kestra Financial, Inc. owns other investment advisers, insurance agencies and other product and service providers (Kestra Affiliates). From time to time, we may recommend that you purchase or sell products and services of or through Kestra Affiliates, and these Kestra Affiliates, as well as our firm, may receive compensation as a result. Such a recommendation may be deemed to create a conflict of interest since it could result in increased compensation to a Kestra Affiliate, our firm and your Advisor. By way of example, we are affiliated with various insurance agencies and brokers through which you may purchase or sell insurance. Advisors may also be licensed insurance agents or assist you to buy or sell your insurance policy. Your Advisor may recommend that you purchase or sell insurance through an affiliated insurance agency or broker, and that affiliate would receive compensation in connection with the transaction. Whether or not the services of an affiliate are utilized, your Advisor may receive compensation from your purchase or sale of insurance in addition to any advisory fees you pay him or her. Our affiliation with such insurance agencies and brokers, and the additional compensation an Advisor may receive irrespective of our



affiliation, creates a conflict of interest to the extent our affiliates or Advisors receive compensation in addition to the advisory fees you pay us.

As a general matter, we do not oversee and are not responsible for overseeing the sale of fixed or general account insurance products or annuities sold a commission basis by an Advisor in their individual agent capacity. The recommendation to purchase a commission product presents a conflict of interest since the receipt of commissions may provide an incentive to recommend insurance products based on commissions to be received, rather than your particular needs. You are under no obligation to purchase any commission products from our Advisors.

Also, our Advisors, in their capacity as registered representatives of Kestra IS, have the ability to offer various investment products to advisory clients. Such products include hedge funds, limited partnerships and privately offered securities. Generally, you must meet certain financial, experience or risk tolerance requirements before you may invest in such products through us.

Additional examples of our relationship with other Kestra companies include our ability to recommend the products or services of our affiliates, Trinity Financial Services and the insurance services available through Kestra IS, dba KISL Insurance in California. Kestra IS. Trinity Financial Services is an affiliated third party administrator made available to advisors for recommendation to plan sponsors. The recommendation of Trinity Financial Services creates a conflict of interest since our affiliate could receive increased compensation. Kestra IS is an insurance brokerage through which our Advisors may sell insurance products. Advisors recommending that you purchase insurance may utilize the services of Kestra IS, and we and your Advisor may directly or indirectly receive compensation in addition to advisory fees you pay. The use of Kestra IS to purchase insurance creates a conflict of interest since we, your Advisor and our affiliate may receive compensation in addition to advisory fees you pay.

Some of our Advisors are registered with or affiliated with an investment adviser other than our firm. You should read the brochure and any other materials provided by these other investment advisers for information regarding their services and fees if you engage them to provide you with advisory services.

Some of our Advisors may participate in incentive trips and receive other forms of non-cash compensation based on the amount of their sales through Kestra AS, non-affiliated marketing groups or product manufacturers. To the extent your Advisor participates in an incentive trip or receives other forms of non-cash compensation, a conflict of interest exists in connection with the Advisor's recommendation of products and services for which they receive these additional economic benefits. Kestra Advisory Services, LLC (Kestra AS) allows representatives to receive marketing reimbursements from product providers to help defray these expenses. There is no requirement or expectation that representatives refer clients to or place assets with such providers.

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

We maintain a written code of ethics in accordance with the Advisers Act that is intended to create an ethical culture for our firm. Our code of ethics requires our personnel and Advisors to treat sensitive information confidentially, not misuse material non-public information about client transactions, report violations of the code and comply with federal securities laws. The code of ethics also requires certain personnel and Advisors to report their personal securities holdings.



We will provide a copy of our code of ethics upon request.

Our 401(k) plan, or other retirement plan accounts that our Advisors may have an interest in, could invest in funds and investments that you may also invest in or that we recommended you buy or sell. Our personnel and Advisors may invest for their own account in interests in investment partnerships, venture capital vehicles, hedge funds and other commingled products or individual investment accounts managed by other advisers we have recommended to you as well. These entities and managers may also separately buy or sell investments that you buy or sell for your own account or that we have recommended to you. Generally, our Advisors and personnel have no ability to influence or control these entities' transactions in securities. If such influence or control did exist, our personnel and Advisors would be subject to policies on employee trading described in our code of ethics and compliance manual to address this conflict of interest.

Our employees and Advisors may invest for their own accounts in securities, which may also be recommended, purchased or sold for you as our advisory client. Our code of ethics requires Advisors to place the interests of clients before their own interests. Our compliance department reviews personnel and Advisor trades each quarter in an effort to ensure that their personal trading does not impact trades for clients and that our clients receive preferential treatment. Personal trades that consist of mutual funds or exchange-traded funds will typically not have an impact on client trading or securities markets.

Brokerage Practices

Our Advisors will oversee and direct the investments of your accounts subject to any limitations you may impose on us in writing. We have an obligation to seek to obtain best execution for transactions in your account. To the extent you have imposed a limitation on brokerage selection, or have directed us or the Advisor to utilize a certain broker/dealer, we will not have the ability to negotiate commissions among various brokers or to obtain volume discounts. We also may not achieve best execution, and you may pay higher commissions and transaction cost and receive less favorable net prices than other clients as a result.

Our affiliate broker-dealer may execute transactions for you as an advisory client. We and our affiliates may receive compensation as a result of acting as an investment advisor, a broker/dealer or both. We or your Advisor may receive compensation, in addition to the advisory fees charged to your account, when we execute portfolio transactions for you. We conduct these transactions in accordance with applicable rules and regulations and in a manner designed to treat you and other clients fairly and equitably over time. Our policies and procedures require us to provide appropriate disclosures to you, such as compensation received by us and/or our registered representatives for these transactions. Such transactions may include our acting as a selling agent on a best efforts basis for new issues of fixed income securities that you have purchased in your account. In this regard, we may rely upon our relationship with two third-party broker/dealers named Advisors Asset Management, Inc. (AAM) and SumRidge to complete transactions in fixed income securities. We or our affiliates may receive both normal and customary transaction-related compensation as a selling agent of fixed income securities, as well as advisory fees on the fixed income security in your advisory account. Through Kestra IS's relationship with AAM and SumRidge, Kestra IS also receives a percentage of the concessions AAM and SumRidge charge on fixed income security



orders they execute for our affiliate. This arrangement may be deemed to create a conflict of interest since it results in increased compensation to our affiliate.

To the extent an Advisor has waived any commission from the sale of a security or investment product, a third party may still provide additional compensation to us. This third-party compensation creates a conflict of interest since it could result in increased compensation for us or our affiliates.

We will allocate partially completed trades either in a pro-rata, a random fill or other method designed to treat you and all our clients fairly and equitably over time. The commissions we charge may be higher or lower than those charged by other broker/dealers. We correct trade errors arising from transactions in your account at our expense; however, we reserve the right to retain any gains that may arise from correcting such errors.

We may effect agency-cross transactions for you as an advisory client subject to applicable rules and regulations. Agency-cross transactions take place when we cause a security to be transferred from one account to another. We will perform agency-cross transactions at an independently determined market price and without incurring brokerage commissions, although customary custodian fees and transfer fees still will apply and be received by us. In agency-cross transactions, Kestra IS acts as broker/dealer for both buyer and seller of a security, though both may not be investment advisory clients of ours as well. We will not effect such agency transactions if we have absolute trading discretion over both parties. We will only perform cross-trades if we believe they are in the best interest of each client and after we obtain prior approval. We obtain prior approval from you under our standard client agreements. We do not typically act in a principal capacity when initiating any trade order for advisory accounts; however, our respective clearing/custodial firms may do so when executing a trade order for you. A principal capacity means the clearing/custodial firm sells you the security from their own inventory rather than finding another seller in the market. We handle any principal trades in an advisory account in accordance with applicable law.

We do not direct client securities transactions to obtain research benefits or other benefits, otherwise known as “soft dollars.”

We and our Advisors may, but need not, aggregate or “bunch” orders for your account. Where we believe aggregation is appropriate and practicable or that it will result in a more favorable overall execution for you, we will allocate such bunched orders at the average price of the aggregated order. You will still pay the same ticket charges on any bunched or aggregated orders. Our Advisors may not include personal trades with aggregated or bunched orders for your accounts. Aggregation does not benefit client trades in mutual funds or exchange-traded funds, and therefore we do not aggregate trades of these securities.

By choosing an Advisor Managed Account on one of our Advisory Platforms, the AdvisorEnterprise Platform, Kestra Institutional Services Platform or the Horizon Platform, you direct us and your Advisor to use a certain broker for trades in your account, typically the custodian associated with the Advisory Platform. Not all advisers require clients to direct brokerage. By directing brokerage, we will not have authority to negotiate commissions among various brokers or to obtain volume discounts, and best execution may not be achieved. You may pay higher commissions or transaction costs and receive less favorable net prices than other clients. For trades in fixed income securities in your Advisor Managed Account, we may retain trading authority and remain obligated to obtain best execution of such trades in your account. In



these circumstances, we will often use AAM and SumRidge to assist us in trading fixed income securities.

We may effect transactions for your account through broker/dealers that refer us advisory business. The use of such broker/dealers for trades in your account creates a conflict of interest since we have an incentive to increase referrals to our company. Through our relationship with AAM and SumRidge, we also receive a percentage of the concessions AAM and SumRidge charge on fixed income security orders executed by AAM and SumRidge on behalf of our firm. The use of AAM and SumRidge on trades for your account creates a conflict of interest since we have an incentive to increase compensation to our affiliate broker-dealer. Commissions and fees may be higher or lower than those that may be charged by other broker/dealers.

Review of Accounts

Our Advisors will contact you, and typically meet with you at least annually, to review the performance of your account and any changes to your Plan's financial situation and investment goals and objectives. In addition, our Advisors typically review the quarterly performance report received from your account custodian. Advisors may also perform account reviews more frequently when market conditions dictate. Other conditions that may trigger a review are changes in laws, new investment information and changes in your own situation. We also require you, in our standard client agreement, to inform your Advisor promptly of any changes to your information, including changes to your financial situation or investment objectives and policies. You will receive confirmations of all transactions, monthly statements and/or quarterly performance reports from the designated custodian of your Plan assets. Our Advisors and our home office personnel are typically available during normal business hours to answer questions or concerns you may have.

Client Referrals and Other Compensation

We may compensate third parties called "solicitors" to refer to us clients and prospects they believe would benefit from our investment advisory services. Any such arrangements with an unaffiliated third party will be designed to comply with the Advisers Act, which requires, among other things, that you receive this brochure, we execute an agreement with the solicitor, and that you receive a compensation disclosure statement detailing the amount we will pay the solicitor that referred you.

We may also enter into arrangements wherein we and our Advisors refer you to investment advisers that will provide advisory services to you. When we make such a referral, we and our Advisor will typically receive a portion of the total fee the investment adviser charges you for so long as they provide you services. We and your Advisor may also receive a transaction fee for such services as a solicitor. Any such arrangements will be designed to comply with the Advisers Act.

We may receive securities service fees, 12b-1 fees and other third-party payments if you implement our recommendations through our affiliate broker-dealer. A portion of such compensation may be paid to your Advisor. Relative to your mutual fund purchases, for the period in which you maintain an investment with the mutual fund, we and your Advisor may receive ongoing 12b-1 fees directly from the mutual fund company or ongoing fees from the adviser,



underwriter or distributor of the mutual fund company. Mutual funds with 12b-1 fees are generally more expensive than those funds without it. There is a conflict of interest when we recommend these products or services since they could result in increased compensation to us and our Advisors. However, we do refund 12b-1 fees back to you for any retirement or advisory accounts you may have with us.

Our affiliate broker-dealer may also act as a selling agent on a best efforts basis in their capacity as a broker/dealer for new issues of fixed income securities, which our Advisor may purchase for your account. In such transactions, our affiliate may receive both normal and customary transaction-related compensation as a selling agent for the new issue fixed income security and we will receive advisory fees on the fixed income security in your advisory account. We have entered into an agreement with AAM and SumRidge to assist us in executing fixed income transactions. These relationships pay Kestra IS compensation for order flow based upon the total amount of fixed income securities executed through AAM and SumRidge. The amount of compensation is a percentage of the concession charged by AAM or SumRidge for executing fixed income transactions. Kestra IS may receive up to 25 percent of the concession charged by AAM or SumRidge for all our clients advisory and brokerage transactions. The use of AAM and SumRidge to place trades in advisory client accounts creates a conflict of interest since we have an incentive to utilize their services and increase compensation to our affiliates.

If your Advisor is also a registered representative of our affiliate, Kestra IS, or another broker/dealer, your Advisor may receive, or may have already received, compensation in connection with products or services purchased for you in addition to any advisory fees you pay us. Similarly, many of our Advisors are independent insurance agents that sell insurance through our Kestra Affiliates. As such, the Advisors and Kestra Affiliates may receive compensation in connection with your purchase of securities or insurance in addition to any advisory fees you pay us. These relationships create a conflict of interest as they result in increased compensation to us, your Advisor or Kestra Affiliates.

We make available hundreds of different mutual fund and variable insurance products to our representatives and customers. We also make available many retirement vehicles such as 401(k) and group variable annuity products, as well as alternative investment products such as limited partnerships, real estate investment trusts, and hedge fund products. Our representatives are free to choose what products they sell to customers from among these many products. Because of the numerous investment and insurance alternatives available, our we and our affiliates focus on the sale of products of a select number of providers ("Select Providers"). Select Providers are given increased access to our representatives for the purpose of providing marketing, education and product support.

We may receive both financial and non-financial support from certain mutual fund, insurance and other companies or their affiliates based upon the sale of such companies' products by us. We receive more compensation for the sale of products of Select Providers than for the products of other providers we sell and thus have a financial incentive to sell the products of Select Providers. The amounts and forms of compensation we receive from Select Providers vary based on a number of factors including level of past sales, prospective future sales and the types of service and access to distribution we provide. We receive one or more of the forms of compensation described below in connection with our arrangements with each Select Provider. These payments are made from the resources of the investment adviser or distributor (or one of their affiliates) in the case of mutual fund Select Providers, and from the resources of the insurance company (or its affiliate) in the case of variable annuities, group annuities, and variable life products. These payments are in addition to the sales charges, rule 12b-1 fees, service fees,



redemption fees, deferred sales charges and other fees and charges described in the prospectus fee tables or offering documents of the various products.

Select Providers of 401(k), group variable annuity and other retirement products pay us an amount of up to 0.25% of new investments in such products and an annual amount of up to 0.05% of the amount of our customers' assets under management at the Select Provider. In addition, such providers pay fixed fees for the benefit of Kestra AS or its affiliates up to \$475,000 annually to support and participate in Kestra Financial conferences and seminars. We and our affiliates may pay our financial advisors a higher percentage of compensation for sales of certain Select Provider group variable annuity products than for other such products we sell.

Additional information regarding the companies and amounts and types of compensation we may receive is available on our website at <http://bit.ly/KestraCompanyInfo>. If you do not have access to our website, you may contact your Advisor or our home offices for additional information. These relationships create a conflict of interest as they result in increased compensation to us, your Advisor or our affiliates.

Your Advisor may purchase alternative investments by commission in their capacity as a registered representative of Kestra IS or purchase at net asset value (NAV) in advisory accounts and assess a management fee. There are different costs associated with purchasing these investments by commission or at NAV. You and your Advisor must evaluate and determine which option is most appropriate based on the services being provided. If you choose to purchase an alternative investment at commission, then the Advisor cannot factor in the commissionable alternative investment in your advisory fee. A client will likely pay more in advisory fees versus up-front commissions over the holding period of these investments.

Illiquid alternative investments subject to fee billing in advisory accounts are required by Kestra Advisory Services to be valued at net asset value (NAV). This valuation serves as the basis for fee calculations for advisory accounts where fees are assessed based on assets under management (AUM). NAV for illiquid alternative investments may be calculated as often as quarterly but no less frequently than annually. In the case where an alternative investment is valued annually, the underlying value of the asset may fluctuate, but the NAV will continue to serve as the basis for the AUM calculation. This could result in you experiencing higher or lower fees than if the NAV were calculated more frequently.

We sponsor a Free Ticket Program in which we provide clients the opportunity to place trades for select mutual funds and ETFs at no cost to the Advisor or client. We are able to provide the Free Ticket Program because certain fund families have agreed to pay and reimburse us for trading costs associated with their funds. These Free Ticket Funds are exclusive to Kestra AS Advisors, and can be purchased and exchanged at NFS without trading fees to the Advisors and their clients. Some participants of the Free Ticket Program may also be Select Providers. While there are no transaction costs associated with these mutual funds and ETFs, they may not provide the lowest overall costs over time when compared to mutual funds or ETFs with transaction fees. This relationship creates a conflict of interest as it results in increased compensation to us, your Advisor or our affiliates.



We may charge a non-refundable due diligence fee to third-party managers or product sponsors considered for inclusion in our investment platforms available to Advisors. Paying such fee does not guarantee acceptance on any of our platforms or access to our Advisors. We do not share these fees with our Advisors. Initial fees charged may be up to \$5,000, depending on the complexity of the manager and the resources we need to perform the due diligence. Thereafter, the due diligence fee is typically \$1,500 annually, but may be more or less than this amount based upon the third-party manager and the nature of its services. We may waive these fees from time to time.

We have entered, through our affiliate broker-dealer, into a custodial support services agreement with National Financial and Fidelity Brokerage Services, LLC in connection with our participation in their Fidelity Registered Investment Advisor Group (FRIAG) platform. We provide back-office, administrative, custodial support and clerical services in connection with your accounts on the FRIAG platform. For these services, we receive an amount up to 0.28 percent based upon our client assets on the FRIAG Platform. We may receive compensation from our custodians to offset the cost of transitioning assets.

Kestra IS has entered into a Securities Backed Lending (SBLOC) program with Bancorp and Banc of California. This program allows clients to collateralize their securities in order to obtain a line of credit. In consideration of the marketing of the products by Kestra IS to its clients, Bancorp and Banc of California pay Kestra IS quarterly revenue sharing payments based on the average daily outstanding balance (total loan amount) of the SBLOC. Additional details are available regarding this calculation upon request.

If we utilize the services of other broker/dealers and custodians to execute or assist us in filling customer trade orders, we may receive compensation from such broker/dealers in connection with the trades. In addition, we may receive execution price discounts and other compensation from these custodians and broker/dealers.

In order to help cover or defray the costs of transitioning from another RIA to Kestra AS our advisors may receive various forms and amounts of transition assistance. Such transition assistance may include a promissory note loan, rent, technology services and equipment, legal expenses, administrative support, termination fees associated with moving accounts and regulatory services, payments based on production, reimbursement of fees, free or reduced-cost marketing material, attendance to conferences and events, and access to preferred pricing.

We may issue payments in the form of loans to Advisors which may be forgivable based on years of service with Kestra AS or the extent of their production with us and our affiliates. This practice creates a conflict of interest in that the Advisor has a financial incentive to recommend a client engage Kestra AS for advisory services in order for the loan to be forgiven. However, If you engage Kestra AS for an Advisor Managed Account, your Advisor will obtain the necessary financial data from you, assist you in determining the suitability for the Advisor Managed Account and help you set appropriate investment objectives. Your Advisor will then be able to purchase and sell securities in accordance with your investment objectives. Kestra AS periodically reviews advisory accounts to ensure suitability and adherence to investment objectives.

Our Chief Compliance Officer is available to address any questions that a client or prospective client may have regarding its prospective engagement and the corresponding conflict of interest presented by such engagement.



We have arrangements with various third-party managers or service providers that our Advisors may refer to you for services. We receive compensation from these managers or service providers to support conferences, training, marketing efforts, staffing, ongoing education of Advisors and the marketing efforts we perform on their behalf. These fees are negotiable, and can be up to \$105,000. In addition, we receive compensation from various third-party managers or service providers based upon a percentage of our client assets under their management. Such compensation may be up to 0.14 percent of the assets under management. You are not charged a higher fee based upon these arrangements. The third-party managers or service providers with which we currently have such arrangements are: Envestnet Asset Management, Inc. (“Envestnet”), AssetMark, Beaumont Capital Management, SEI Investments Management Corporation (“SEI”), AFAM Capital, Brinker Capital, LWI Financial, City National Rochdale, Hanlon, Dana Investment Management, Icon Investments, WBI, Symmetry Partners, CLS Investment Management, Horizon Investments and Green Investment Management. Through our relationship with Envestnet, Envestnet pays us compensation based upon a percentage of client assets invested with the following third-party managers and product sponsors: AXA Advisors, Jefferson National, Aris, Astor, Braver Capital, CLS Investments, Clark Capital, BTS, Brinker Capital, Natixis Global Asset Management, Loring Ward, Horizon, Morningstar Investment Management, Portfolio Management Consultants, SIGMA, Russell Investments, Nationwide Financial, Beaumont Capital Management, DiMeo Schneider & Associates and Symmetry Partners. Such compensation may be up to 0.29 percent of our clients’ assets under management with these third-party managers. These relationships create a conflict of interest as they result in increased compensation to us.

In addition, Loring Ward offers all advisors with assets on their platform a basic subscription to MoneyGuidePro at no cost to the advisor. Furthermore, advisors can pay \$660 to receive an upgraded version of MoneyGuidePro with Loring Ward’s data integrated into the software. Those advisors who place at least \$10MM on Loring Ward’s platform receive the upgrade at no cost. This creates a conflict interest because it may incentivize an advisor to place business with Loring Ward in exchange for software access.

Custody

We and our Advisors do not hold or maintain your assets. Third-party qualified custodians hold and maintain your assets, and those custodians provide account statements directly to you at your address of record at least quarterly. We urge you to compare the account statements you receive from your account custodian with any performance report or statements we, our service providers or our Advisors may create for you.

Investment Discretion

Unless we grant specific authority and approval to your Advisor, your Advisor is typically not granted absolute trading discretion on Plan client assets. Absolute trading discretion means placing a trade in your account without your approval.



Voting Client Securities

We do not, nor do our Advisors, vote proxies for any clients.

Financial Information

We do not have any financial condition likely to impair us from meeting our contractual commitments to you.

Miscellaneous

Termination of Accounts

Typically both you and our company have the option under our standard agreements to terminate the agreement at any time. In addition, you have the right to terminate the contract without penalty within five business days after entering into the contract. If you pay a fee in advance, fees will be pro-rated from the termination date and refunded to you.

Compliance Policies and Procedures

We maintain written compliance policies and procedures as required by the Advisers Act.

Anti-money Laundering Program

We maintain an anti-money laundering program in accordance with applicable regulations.

Business Continuity Plan

We maintain a business continuity plan designed to minimize the impact of disasters, emergencies and other unforeseen circumstances on our services and communications. A description of our Business Continuity Plan is available on our website at <http://bit.ly/KestraCompanyInfo>, or by contacting your Advisor or our home office.

