

**Item 1. Cover Page**

# **Form ADV Part 2A, Appendix 1 “Wrap Fee Program Brochure”**

## **National Planning Corporation®**

**100 North Sepulveda Blvd., Suite 1800**

**El Segundo, CA 90245**

**(888) 711-6720**

**[www.natplan.com](http://www.natplan.com)**

**March 18, 2016**

**This Wrap Fee Program Brochure (“Brochure”) provides information about the qualifications and business practices of National Planning Corporation® with respect to its WealthONE® Strategist Solutions® Mutual Fund & Exchange Traded Fund Wrap Program. If you have any questions about the contents of this Brochure, please contact us at the above phone number. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.**

**Additional information about National Planning Corporation® (“NPC®”) also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)**

**National Planning Corporation® is an SEC-registered investment advisor; however, registration itself does not imply a certain level of skill or training.**

## Item 2. Material Changes

We may update this Brochure at any time but are required to promptly send clients a copy of certain material changes to our disclosures upon doing so. In addition, we will also deliver an annual summary of material changes that occur to the Brochure along with an offer to provide you with a current version. The following updates have been made to this Brochure since the last update of June 29, 2015.

- Item 4 “Program Fees” has been updated to reflect that early redemption fees may be assessed where applicable under certain circumstances involving liquidations by a Strategist, as described under the sub-heading “Miscellaneous Fees.”

You may request copies of this Brochure by contacting us at (888) 711-6720, e-mailing us at [iacu@natplan.com](mailto:iacu@natplan.com), or downloading it from our website at [www.natplan.com](http://www.natplan.com) or the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

### Item 3. Table of Contents

	Page
Item 1. Cover Page.....	1
Item 2. Material Changes .....	2
Item 3. Table of Contents .....	3
Item 4. Services, Fees and Compensation .....	4
Item 5. Account Requirements and Types of Clients .....	12
Item 6. Portfolio Manager Selection and Evaluation .....	13
Item 7. Client Information Provided to Portfolio Managers .....	14
Item 8. Client Contact with Portfolio Managers.....	15
Item 9. Additional Information.....	15
NPC Privacy Policy.....	20

## **Item 4. Services, Fees and Compensation**

### **Introduction**

National Planning Corporation® (“NPC”) is registered with the SEC as an investment advisor and has filed the required documentation in all states where such filings are required. Following are disclosures which are formatted to comply with securities regulations governing the preparation of this Brochure.

We are the sponsor and investment advisor which offers and administers the WealthONE® Strategist Solutions® Wrap Program (“Program”). Our services are provided to you through your relationship with our Investment Adviser Representative (“Representative”). As a “wrap fee program,” we provide investment advisory services in addition to arranging brokerage and custody services for an inclusive fee. To enroll in the Program, you will be required to execute NPC’s New Account Form and Asset Management Services Agreement which contain additional terms and conditions governing your investment account and relationship with us.

All references to “you” and “your” in this Brochure refer to prospective and existing investment advisory clients of NPC. References to “we,” “us” or “our” may collectively refer to NPC and/or your Representative.

We also offer other investment advisory services not discussed in this Brochure. You may request a copy of NPC’s Form ADV, Part 2A if you wish to learn more information about these programs.

You should also be aware of the differences between the fee-based services outlined in this Brochure for ongoing management of accounts and commission-based services that may be separately available for unmanaged brokerage accounts. To assist you with assessing these differences, we make available a document entitled “Which Account Type Is Right For You?” that we encourage you to review and discuss with your Representative. A copy of this document is contained on NPC’s website at [www.natplan.com](http://www.natplan.com) under “Investors” and then “Disclosures”, and is also available upon request from your Representative or NPC.

### **Overview of Our Advisory Services**

The Strategist Solutions® Program enables us to provide you with customized investment portfolio options (“Model Portfolios”) composed of either mutual funds and/or exchange-traded funds (“Model Portfolios”) managed by a group of unaffiliated asset managers (“Strategists”) we have selected to participate in the Program, and administered by us using a third party technology platform.

Under the Program, your NPC Representative will work with you to gather information about your financial situation, goals and objectives, including information on your investment time horizon (this is the length of time before you intend to sell your investments), risk tolerance (certain investments are more risky than others) and other relevant factors. Based on this information, your Representative will then propose an overall strategy that includes asset allocation (this is the practice of attempting to limit risk by investing among a range of different investment types) and investment portfolio recommendations in the form of one or more Model Portfolios, with each Model Portfolio to be managed in a separate account. Your Representative will periodically meet with you to discuss

any changes to your financial situation, goals and objectives to ensure that the Model Portfolio upon which your investments are based continues to meet your investment needs.

We engage the Strategists to develop and manage Model Portfolios on our behalf through investments in mutual funds and exchange-traded funds. The Strategists determine which mutual funds and/or exchange-traded funds to include in the Model Portfolios and will periodically adjust and rebalance the Model Portfolio investments to remain consistent with their investment strategies. Any modifications to the Model Portfolios by the Strategists are effected through the sale of securities in your account, which may have tax ramifications for you based on the transactions that result. The Strategists are responsible for managing the Model Portfolios on behalf of NPC, which are then recommended to you by your Representative. The Strategists do not possess knowledge of your individual information or investment goals and objectives or provide personalized investment advice to you. You remain the owner of all securities held in your Model Portfolio account and have all ownership rights associated with these securities.

This Brochure provides you with a general overview of our responsibilities. You can obtain more specific information about the process by which Model Portfolios are constructed, how investment strategies are carried out, options to customize your investments, the Strategists, investment returns, and other information by discussing with your Representative. We encourage you to review this material and discuss with your Representative to make certain you fully understand our investment process and the features available to you as a participant in the Program.

## **Model Portfolios and Implementation Strategies**

The Model Portfolios will consist of mutual funds and/or ETFs selected by the Strategists.

**Mutual Funds.** A mutual fund is a pooled investment company that brings together money from many people which it invests in stocks, bonds or other assets. If your assets are invested in mutual funds, NPC will act as your agent and not as a dealer for the fund issuing the shares. The Model Portfolios will not include any mutual funds that impose a charge at the time of purchase or sale (referred to in the industry as front-end or contingent deferred sales loads). However, mutual funds may charge fees under Rule 12b-1 of the Investment Company Act of 1940 (referred to as “12b-1 fees”) or may pay a fund servicing or administrative fee to firms that sell their products. Any 12b-1 fees, fund servicing or administrative fees received by NPC from mutual funds in your Strategist Solutions® Program account will be applied as a credit toward your Management Fees, as further outlined below under the section entitled “Management Fee Credit”. The amount of such credit will vary based on the Strategist, Model Portfolio, and the amount of 12b-1 fees, fund servicing and administrative compensation paid by the particular mutual fund holdings in your Program account.

**Exchange-Traded Funds.** An exchange-traded fund (also called an “ETF”) is a unit investment trust or investment company that seeks investment results that, before expenses, generally correspond to the price and investment return of a specified index such as the Standard & Poor’s 500 Composite Stock Index (an “index” is a method of tracking the overall investment performance of a large category of selected stocks included within the index). There is no assurance that the price and investment return of the specified index can be fully matched. ETFs may be used to gain broad exposure and diversification of investments held by a client, achieve lower expenses, facilitate increased selling capability, and attain improved tax efficiency. As a unit investment trust or investment company, ETFs will incur certain

expenses that include advisory fees paid to the respective manager of the ETFs. Unlike traditional mutual funds which are priced at the end of the day, ETFs can be bought and sold throughout the trading day at the prevailing price.

## **Management of Your Program Account**

The Model Portfolios are developed and managed by the Strategists according to their respective investment style and management expertise. The Strategists communicate to us any changes to their Model Portfolios on an ongoing basis so that we can provide ongoing monitoring and analysis of their performance, and ensure that they are being managed according to the specified investment policies and strategies associated with each Model Portfolio.

Our Due Diligence Team and Investment Policy Committee will periodically review the ongoing performance of the Strategists. The Strategists will periodically assess and rebalance the asset weightings within the Model Portfolios to realign their underlying investments. Significant fluctuations in the value of investments over certain time periods (known as “dispersion”) may occur between the holdings and performance of the Model Portfolios and the actual Strategist Solutions® Program Accounts that are maintained by clients based on the Model Portfolios. Account dispersion may be due to differences in account size, cash flow, and the timing of securities trades placed by the Strategist, individual client-imposed restrictions on certain investments, differences in the timing of account rebalancing schedules, certain trading and system limitations, and other factors.

## **Custody Services**

Custody services for the Program are provided by an unaffiliated firm which maintains your investment positions within the Model Portfolios and completes brokerage transactions (also referred to as “clearing”) on your behalf under its agreement with NPC. The clearing firm is referred to as a “Custodian.” The investments of each Model Portfolio you select will be held in a separate brokerage account maintained by the Custodian. Mutual fund shares are issued in “book” form, meaning that a certificate of ownership is not issued, although the shares remain assets held within your Model Portfolio account. You will be required to establish a brokerage account with the Custodian pursuant to terms and conditions set forth in a New Account Form your Representative will assist you with completing. Please see the New Account Form and Program Management Fees section below for more information concerning specific fees and expenses relating to custody services. We reserve the right to change the selected Custodian under Program and will notify you in the event of such a change.

## **Trading**

As noted above, trading will occur through the brokerage accounts you establish with the Custodian. The Strategists will initiate trades with the Custodian at their discretion through the third party trading platform we use to administer the Program. NPC has an obligation to monitor for “best execution” (a regulatory requirement to ensure the best combination of net price and execution) when placing brokerage transactions for your accounts through our clearing relationship with the Custodian. Various factors we consider in analyzing overall execution quality may include:

- Transaction costs associated with the purchase and sale of investments;
- The trade execution, clearance, and settlement capabilities of the broker-dealer;
- The size of brokerage transactions accommodated;

- The efficiency and timing of brokerage transactions;
- The activity existing and anticipated in the market for a particular security;
- The nature of the securities being purchased or sold and access to purchasers and sellers within the investing marketplace (which may be limited due to thin trading activity or unavailability of certain securities);
- The financial stability and reputation of the executing broker-dealer; and
- The research products and other services provided for the benefit of Co-Advisor and its clients.

NPC regularly monitors the reporting of execution costs and quality to evaluate the brokerage services provided to our clients in comparison to industry standards to confirm the reasonableness of our determination.

## **Client Exclusions and Security Restrictions**

Subject to reasonable parameters we have established, you have the opportunity to impose restrictions on specific mutual funds and ETFs held within your Model Portfolio account. However, such restrictions (i) cannot be imposed on the management of a mutual fund or ETF, or on the underlying investments held within either, and (ii) may be limited to a certain percentage of the overall holdings in a Model Portfolio. If you request exclusion of a specific investment from your Model Portfolio account, any resulting gap will be proportionately allocated among the non-excluded investments based on the remaining Model Portfolio composition. The performance of a Model Portfolio with investment restrictions may differ significantly from Model Portfolios without such restrictions, possibly producing lower investment performance results.

## **Benefit Plan Accounts**

Program accounts may be established for (a) employee benefit plans described in Section 401(a) or 403(a) of the Internal Revenue Code of 1986, as amended (the “Code”); (b) individual retirement accounts or annuities as defined in Section 408 of the Code (“IRAs”); or (c) other plans or arrangements subject to the Employee Retirement Income Security Act of 1974, as amended (“ERISA”) or Section 4975 of the Code (collectively, “Benefit Plan”). We may provide Services to responsible plan fiduciaries or their designees, as well as participants of self-directed retirement plans. For plan level arrangements, an investment strategy is chosen by an independent fiduciary that is responsible for overseeing the respective Benefit Plan (or the Benefit Plan participant for certain self-directed participant accounts, IRAs or other accounts that do not have independent fiduciaries). The selected Model Portfolio and restrictions, if any, then serve as the Investment Policy Statement for the Program account. We do not serve as the trustee or plan administrator for any Benefit Plan.

For Program accounts established for Benefit Plans, the investments and fees under the Program are intended to comply with applicable exemptive relief under ERISA and the Code permitting our receipt of such fees. In connection with that relief, as it applies to arrangements involving the furnishing of services to Benefit Plans that are “covered plans” within the meaning of U.S. Department of Labor Regulation §2550.408b-2(c)(1)(ii), the following disclosures are provided:

- The Services provided under the Program are described in your investment advisory and brokerage account agreements with NPC, together with this Brochure.

- In providing Services under the Program, NPC is acting as an investment adviser registered under the Investment Advisers Act of 1940.
- In providing Services under the Program, NPC is also acting as a fiduciary (within the meaning of Section 3(21) of ERISA) with respect to the Program.
- The “direct compensation” (within the meaning of U.S. Department of Labor regulation §2550.408b-2(c)(1)(iii)(D)(2)) that NPC expects to receive in connection with the provision of services under the Program consists of (a) the Management Fee, as described in the section of this Brochure entitled “Strategist Solutions Program Management Fee” under Item 4 and within the Fee Schedule to your investment advisory agreement with us. As noted under “Miscellaneous Fees” of Item 4, you may also pay various fees to the Custodian for special services it is be requested to facilitate which are not covered by the Management Fee. A detailed list of these fees is available through your Representative. NPC does not expect to receive any “indirect compensation” under the Program (within the meaning of U.S. Department of Labor Regulation §2550.408b-2(c)(1)(iii)(D)(2).
- Upon termination of your participation in the Program, you will receive a pro-rata rebate of any Management Fees which have been paid in advance.
- Neither NPC, our Representatives or our respective affiliates or subcontractors provide recordkeeping services under the Program.
- If you are an individual account plan (as defined in Section 3(34) of ERISA) that permits participants and beneficiaries to direct the investment of their accounts and one or more designated investment alternatives for the plan is provided through the Program, you will be provided a copy of the prospectus or other offering materials for each such designated investment alternative that describes (i) any compensation charged directly against investment in the designated investment alternative; (ii) the total annual operating expenses for the designated investment alternative, expressed as a percentage and calculated in accordance with U.S. Department of Labor §2550.404a-5(h)(5); and (c) any other material information that is required for the administrator of the plan to comply with the disclosure obligations described in U.S. Department of Labor §2550.404a-5(d)(1).
- If there is any material change to information described in the above Benefit Plan disclosures, to this Brochure more generally or in relation to your investment advisory and brokerage agreements with NPC, you will be notified of such change within at least thirty (30) days from the date on which we learn of the change.
- For retirement plan sponsors, we will arrange, upon the reasonable request of your independent plan fiduciary or plan administrator, to furnish any other information relating to the compensation received in connection with the furnishing of Services under the Program that is required for you to comply with the reporting and disclosure requirements of Title 1 of ERISA and the regulations, forms, and schedules issued thereunder.

## **Program Fees**

### **Strategist Solutions® Program Management Fee**

Fees for participation in the Program (“Management Fees”) will automatically be billed in advance



either on a monthly or quarterly basis, as designated by your Representative. Please discuss and confirm your billing frequency with your Representative. Management Fees will be assessed according to the below Standard Tiered Fee Schedule, based on the fair market value of your Model Portfolio account as reported by the Custodian. Management Fees are assessed separately to each of your Model Portfolio accounts based upon the market value of each account and applied by asset tier per account, with each successive level achieved receiving the lower fee stated on the fee schedule. This fee structure is also known as a “blended rate.” The Management Fees are stated below on an annual basis, but are billed monthly or quarterly. Certain internal costs, including the Program costs for the Strategists and Model Portfolios, are paid from the Management Fee. Please consult Schedule A of your Asset Management Services Agreement for details regarding the varying amounts payable to each of the Strategists from the Management Fee.

**Standard Tiered Fee Schedule:**

<b>Model Portfolio Value</b>	<b>Maximum Annual Fee</b>
Up to \$249,999.99 (first \$249,999.99)	2.75%
\$250,000.00 - \$499,999.99 (next 249,999.99)	2.25%
\$500,000.00 - \$999,999.99 (next \$499,999.99)	1.90%
\$1,000,000.00-\$1,999,999.99 (next \$999,999.99)	1.75%
\$2,000,000.00-\$4,999,999.99 (next \$2,999,999.99)	1.50%
\$5,000,000.00 +	1.40%

All Management Fee arrangements are negotiable and we reserve the right to waive or reduce these fees or any other applicable fees or costs, either on an ongoing or a one-time basis. Your accounts may also be eligible for additional discounting based on combined household assets. If our relationship with a client terminates and all assets are withdrawn from the Program prior to the end of the applicable billing period, we will issue a refund for the pro-rata portion of the pre-paid Management Fees.

**Monthly Billing.** The initial fee for the first calendar month in which a client participates in a Program shall be calculated on a pro-rata basis beginning the day after initial assets are deposited in the Program, and is debited the following month along with the fees for the next calendar month. Fees are subsequently calculated at the beginning of each calendar month, based on the fair market value of the program’s portfolio on the last business day of the prior calendar month.

**Quarterly Billing.** The initial fee for the first calendar quarter in which a client participates in a Program shall be calculated on a pro-rata basis beginning the day after initial assets are deposited in the Program, and is debited the following month. Fees are subsequently calculated at the beginning of each calendar quarter, based on the fair market value of the program’s portfolio on the last business day of the prior calendar quarter. If an account is opened in the last month of a calendar quarter, fees will be calculated and debited for the remaining period in that calendar quarter, along with fees for the next calendar quarter, on the day after initial assets are deposited. Quarterly fees may be adjusted on a pro-rata basis to account for certain additional contributions or withdrawals, please see your Asset Management Services Agreement for details.

NPC will arrange with the Custodian to deliver billing notices to you detailing: (i) the amount of the Management Fees charged for each billing period; (ii) the value of your Model Portfolio account assets upon which the fees are based; and (iii) the manner in which the fees were calculated. It is your responsibility to carefully review account statements and fee deductions within these fee statements.

NPC does not permit Representatives to be compensated on the basis of a share of capital gains or capital appreciation of assets held within your Model Portfolio account.

Please consult your Representative for additional details regarding Management Fees.

### **Management Fee Credit**

NPC may receive 12b-1 fees, in addition to fund servicing or administration fees paid by the funds for selling their products. However, any 12b-1 fees or related fund servicing or administrative fees received by NPC for your Model Portfolio account investments will be paid to your accounts as a credit towards your Management Fee. The amount of fees that are credited will vary depending on the Model Portfolio, and will also vary within a particular Model Portfolio over time as the investment mix changes.

### **Custody Fee**

A custody fee will be assessed for each Model Portfolio account you maintain under the Program as outlined below. This fee covers general charges for trading fees, any “ticket” and “confirm” charges payable to an intermediary firm associated with processing a trade, IRA and qualified retirement plan custodial fees, and certain account administration expenses that may be charged by the Custodian during the normal investment process, but does not include other servicing fees such as termination fees, ACAT fees (which apply to the transfer of assets between financial institution accounts), wire transfer fees (which apply to the transfer of cash between financial institution accounts) and other miscellaneous fees that may become applicable, as described below. In the case of an account with model portfolios positions comprised of both mutual funds and ETFs, the custody fee will be determined based on the larger position type.

- a.) Mutual Funds (Except FaithONE Models).** A custody fee of \$150 per year will be charged for each Model Portfolio account you maintain under the Program containing mutual funds except FaithONE Models). This fee shall be assessed on a pro-rata basis each billing period.
- b.) FaithONE Models.** If you invest in a FaithONE Model Portfolio, an annual percentage based custody fee of 0.10% will be charged for each FaithONE Model Portfolio you maintain under the Program. This fee is calculated in the same manner as the Management Fee and is in lieu of the above custody fees.
- c.) Exchange-Traded Funds (“ETFs”).** An annual percentage-based custody fee will be charged for each Model Portfolio account you maintain under the Program containing ETFs. This fee is calculated and applied in the same manner as the Management Fee described above, according to the following tiered custody fee schedule, stated as an annual amount and assessed on a pro-rata basis each billing period.

<b>Model Portfolio Value</b>	<b>Tiered Custody Fee</b>
Up to \$249,999.99 (first \$249,999.99)	0.25%
\$250,000.00 - \$999,999.99 (next \$749,999.99)	0.15%
\$1,000,000 - \$1,999,999.99 (next \$999,999.99)	0.08%
\$2,000,000.00 +	0.05%

### **Minimum Account Balance Fee**

Accounts with a balance below \$50,000 at the end of a billing cycle will be subject to a \$50 annual fee, assessed on a pro-rata basis based on the number of calendar days in the respective billing period.

### **Miscellaneous Fees**

NPC reserves the right to pass on to you clearing related fees and other charges imposed by the Custodian in connection with your Model Portfolio account that are not covered by the Custody Fee described above. These fees are unique to your account activity and include termination and transfer fees, wire transfer fees, and other transaction and services charges that may be assessed by the Custodian. In cases where a Strategist determines a liquidation to be in the best interest of investors at a model-level, such service charges may also include early redemption fees assessed by mutual fund companies where the fund positions in your account are purchased and sold within an initial required holding period, as identified by the fund prospectus. Please consult the New Account Form and the Custodian's fee schedule for more information.

### **Mutual Fund and ETF Expenses**

Mutual funds and ETFs held in your account impose internal administrative charges, fees or expenses, which may include management and administrative fees, 12b-1 fees and related servicing or marketing expenses, sub-transfer agent fees, deferred sales charges and other fees or expenses. Certain of these fees may not be billed to you directly but could impact the returns on individual mutual funds or ETFs held in your Model Portfolio account. Please consult the applicable prospectus or statement of additional information relating to your underlying Model Portfolio investments for more information.

## **Cost of Program Compared to Separate Purchase of Services**

We believe that if the investment advisory, brokerage, custody and other services you receive under this Program were paid for separately, the actual costs could vary from the fees you pay under the Program depending upon such factors as the value of your account, the type of Model Portfolio selected, the size and number of account transactions effected in a Model Portfolio, and the number of Model Portfolios you select for investment. Comparable services may be available separately or from other firms for fees lower or higher than those charged by us for the Program.

## **Fees for Additional Services**

You may also be charged non-standard service fees incurred relating to services or activities separate from the management of your Program account. For example, we may separately offer you consulting services, securities transition analyses and tools, or other services that will assist you in evaluating your financial situation. These expenses will be charged to a client's account at the time of occurrence. Your Representative will provide additional details and discuss such fees in advance of providing these services, and such services will be provided pursuant to the terms and conditions of a separate agreement with NPC that outlines these details.

## **Payments to Financial Professionals and Firms**

The Representative that recommends the Program to you receives compensation as a result of your participation in the Program. Since the compensation paid to your Representative may be more than

what the Representative would receive if you participated in other investment advisory programs or paid separately for investment advice, brokerage, and other services, the Representative may have financial incentive to recommend the Program over other investment advisory programs or services.

## **Item 5. Account Requirements and Types of Clients**

### **Funding Your Account**

You have four choices to fund your account: (1) check, (2) wire transfer, (3) an ACH (Automated Clearing House) deposit, and (4) an ACAT (Automated Customer Account Transfer Service) transfer. You may send a personal check drawn on a domestic bank account made payable to the Custodian or a wire transfer. If you open your account or make a contribution to an existing account with a check, you will not be able to withdraw or liquidate your account for ten (10) calendar days following the date of deposit to provide for proper check clearance. You can also establish an ACH deposit by completing an ACH Deposit Authorization Agreement when you set up your account. This process may take up to ten (10) business days to complete before we are in a position to receive your deposit and invest you in the Program. Finally, you can fund your account by transferring assets from your existing brokerage firm or bank through the execution of an ACAT transaction to the Custodian. Generally, ACATs are a full “transfer-in-kind” of all securities and cash in your account. You should understand that all or a portion of these securities may be sold either at the initiation of, or during, the course of managing your Model Portfolio account and that we do not manage securities that you have transferred to fund your account.

Funding may also be subject to reasonable requirements based upon regulations or operational limitations. We urge you to work closely with your Representative to coordinate the funding and transfer of assets. There are certain limitations as to the type of checks and securities that are acceptable, as well as additional documentation which may be necessary to complete the funding or transfer. We will begin acquiring securities for your selected Model Portfolio once your funds and securities are converted and ready for investment. Custodian will sell securities received and the resulting proceeds will be invested in your Program account, which may take up to ten (10) business days. You should consult your tax advisor regarding the potential tax impact of this action.

### **Minimum Investment**

A minimum initial investment of at least \$25,000 is required to participate in the Program, though a higher minimum may apply depending upon the Strategist selected (please consult your Representative for details). If your Program account falls below the minimum investment requirement due to personal withdrawals, expenses, or for other reasons, you may be required to contribute additional funds to avoid having your account terminated.

### **Withdrawal from the Program**

You may terminate your participation in the Program at any time upon written notification to NPC or your Representative, subject to the termination fee set forth in the Fee Schedule in addition to certain administrative fees that may apply, such as those imposed by the government, IRA fees or wire transfer fees. You will receive a pro-rata refund of any Program fees which you have pre-paid for any period subsequent to any such termination.

You are required to have a Representative to participate in the Program. If your Representative terminates his or her participation in the Program or you terminate your relationship with your Representative, we may recommend a replacement Representative for you to serve as your interim Representative until a replacement can be found. If NPC is required to provide intermediary services related to a client's participation in the Program or waive the account minimum for a client, we may retain a portion or all of the fees that would otherwise be payable to the Representative. If you are unable to find a replacement Representative with NPC's assistance, we have the right to terminate your participation in the Program.

## **Transfers**

If you decide to liquidate your account and submit a completed Withdrawal Form, Custodian will normally sell the securities in your account and send a check to you at your address of record. You can choose to wire the proceeds to your bank or credit union on receipt of a Medallion Signature Guarantee and a completed Withdrawal Form. Custodian will charge you a wire transfer fee for each bank wire transfer, which is in addition to any charges made by the bank for the receipt of the wire. The proceeds can also be sent through an established ACH link to the bank. If a link has not been established, you can complete an ACH Withdrawal Authorization Form to establish the link, which may take up to ten (10) business days. Monies cannot be transferred until the link has been established.

Your assets can also be transferred by executing an ACAT transaction to a brokerage firm or bank that is able to accept ACAT transactions. This is normally accomplished by requesting the securities in your Program account to be liquidated and the proceeds, along with any cash in your account, to be sent via ACAT. You can also request that a full transfer-in-kind of securities and cash be made. In this case, we will transfer all securities and cash in your account as instructed. Unless you plan to retain your securities positions upon a transfer-in-kind, we recommend that you allow us to sell your securities and to transfer the proceeds. The sale and settlement of securities in your Program account may take up to ten (10) business days after receipt of a request in good order. The price received in liquidating or redeeming these securities may vary as a result of interim market fluctuation from the time of receipt of your instructions and the disposition of your assets. A liquidation fee may be applicable as set forth in the Program's Fee Schedule.

## **Types of Clients**

With respect to the Program, we provide advisory services to clients that include individuals, trusts, pension plans, and corporate entities.

## **Item 6. Portfolio Manager Selection and Evaluation**

The Strategists selected to participate in the Program are subject to a thorough review process and evaluation, including both a qualitative and quantitative review. Through an arrangement with our parent company, National Planning Holdings, Inc. ("NPH") (see Item 10 below for more information on NPH), NPC relies on a dedicated NPH Due Diligence Team of specialized financial analysts to assist with the initial and ongoing assessment and monitoring of the Strategists and their respective Model Portfolios. We have also retained the services of Jackson National Asset Management, LLC ("JNAM"), an affiliated company (see Item 10 below for more information regarding JNAM), to supplement our NPH Due Diligence Team's review with JNAM provided research and verification of Strategist performance, attribution analysis reports, the accuracy and reliability of other reports, and

prospective Strategist due diligence support.

The qualitative analysis consists of speaking with prospective and participating Strategists, conducting periodic on site due diligence visits, and reviewing for stability by evaluating their ownership and financials, regulatory history, the background and experience of investment and trading personnel, the investment infrastructure, total assets under management, existing product and custodial relationships, growth strategies, compliance processes and level of commitment to our Program. To supplement qualitative considerations, we also rely on industry-based calculation methods to verify performance and attribution reporting responsibility, performance dispersion, trade activity dispersion, and benchmarking comparisons.

The due diligence review analysis and recommendations are presented to NPC's Investment Policy Committee which is comprised of a select team of senior executives and officers who are responsible for approving, removing, and the general monitoring of Strategists participating in the Program. Factors considered in the selection and ongoing review process will include an analysis of historical composite performance, not only from a total return perspective, but also with an emphasis on risk measures, portfolio characteristics, style trends and comparisons to the universe of portfolio managers and investment advisors with similar investment philosophies and processes.

We may occasionally determine that a Strategist is no longer appropriate for managing a Model Portfolio. Reasons for terminating or replacing a Strategist may include a change in the investment style or processes employed by the Strategist, a change in the Strategist's key personnel, and inferior performance as compared to applicable investment benchmarks, peer portfolio managers, or investment advisors with comparable investment styles. We will promptly notify you if we elect to terminate or replace the Strategist responsible for the Model Portfolio upon which your account investments are based.

As the overall amount of assets grow in the Strategist Solutions® Program, we may hire additional Strategists that have the same or competing investment strategies in offering allocation strategies to investors. Accordingly, there will be differences in the holdings and results of client Model Portfolios having principally the same allocation strategies but different Strategists. The Program offers a wide spectrum of investment strategies. More specifically, the Program offers the ability to choose from a spectrum which range from an academically-based, traditional, passive implementation to a very quantitatively-based, active, tactical management strategy.

As explained under Item 4 "Overview of Our Advisory Services," your NPC Representative will work with you to gather information about your particular financial situation, goals, objectives, time horizon and other relevant factors. Based on this information, your Representative will assist you with selecting among available Model Portfolios for your account and, where appropriate, will recommend changes to your Model Portfolio selection. Your Representative will periodically meet with you to discuss any changes to your financial situation, goals and objectives to ensure that the Model Portfolio(s) selected for your account continues to meet your investment needs.

## **Item 7. Client Information Provided to Portfolio Managers**

Although the Strategists remain responsible for managing the Model Portfolios, they do not possess knowledge of your individual information or investment goals and objectives, and do not have a direct relationship with you.

## Item 8. Client Contact with Portfolio Managers

Any questions regarding the management of the Model Portfolios or your account should be directed to your Representative, or our Asset Management Group at the above contact information.

## Item 9. Additional Information

### Disciplinary Information

NPC is required to disclose the following information for your consideration:

**October 8, 2014 Florida Department of Financial Services administrative penalty of \$10,250** – NPC entered into a Consent Order for failure to timely file applications for certain branch locations engaged in the business of insurance as required by Section 626.112(7) of the Florida Statutes.

**November 10, 2009 Commonwealth of Massachusetts Office of the Secretary of the Commonwealth Securities Division Consent Order of approximately \$3.7million** — A Representative conducted business activities outside of NPC without our knowledge, consisting of the sale of promissory notes to Massachusetts investors without providing investors with appropriate disclosure. We provided full restitution to each investor and retained an independent consultant to review compliance and supervisory procedures.

**January 26, 2007 State of Florida Office of Financial Regulation Stipulation and Consent Agreement/Final Order-Fine of \$172,000** — NPC was found to have conducted business from nine branch locations in Florida without the locations being properly registered with the state; certain personnel did not have appropriate disclosure forms on file with us for conducting non-NPC related business activities outside of the firm; one member of our personnel failed to provide proper paperwork when selling collateralized mortgage obligations and we were negligent in reporting internal disciplinary action taken against this individual; our policies and procedures to provide customers with copies of account forms to verify or update their information were also deemed insufficient.

**April 6, 2006 NASD Censure and Fine of \$315,000** — NPC policies and procedures were deemed insufficient in relation to recommendations to clients to purchase Class B and Class C shares through Representatives, given the lack of disclosure that an equal investment in Class A shares may be more advantageous for certain clients. In addition to a fine, we agreed to create and implement a remediation plan and retained an independent examiner to verify performance of our obligations.

**September 23, 2005 NASD Censure and Fine of \$1,308,000** — Between January 2001 and December 2003, NPC received fees for providing certain mutual funds with enhanced marketing opportunities to our Representatives, although we did not actually execute any trades for these mutual funds. NPC also sponsored a non-cash sales promotion for Representatives in connection with a conference to which Representatives with top sales were invited.

**May 26, 2004 NASD Censure and Fine of \$100,000** — NPC consented to a finding without admitting or denying allegations that our supervisory system and written procedures were insufficient to ensure that mutual fund orders received after the close of the market were processed at the next day's net asset value.

## **Other Financial Industry Activities and Affiliations**

NPC is an indirect, wholly owned subsidiary of Prudential plc, an international financial services group with operations in the United Kingdom, Europe, Asia, and the United States. We are affiliated by common ownership with a variety of financial services companies, including the following:

### **Broker-Dealers**

Investment Centers of America, Inc. ("ICA"), IFC Holdings, Inc. d/b/a INVEST Financial Corporation ("IFC"), SII Investments, Inc.® ("SII") and Curian Clearing, LLC are each registered as a broker-dealer with the SEC, and each is a member firm of the Financial Industry Regulatory Authority ("FINRA").

Jackson National Life Distributors LLC ("JNLD") is a broker-dealer registered with the SEC and member firm of FINRA. JNLD acts as principal underwriter of variable insurance products issued by Jackson National Life Insurance Company® ("Jackson®") and Jackson National Life Insurance Company of New York® ("Jackson NY"). See also "Insurance Companies/Investment Companies" below.

Certain of our executive officers and directors also serve as officers and/or directors of these affiliated entities.

### **Insurance Companies/Investment Companies**

Jackson and Jackson NY issue variable annuity and life insurance products that are registered under the Investment Company Act of 1940, as amended. The separate accounts of Jackson and Jackson NY that issue variable products are similarly registered as investment companies.

Brooke Life Insurance Company® is an insurance company offering traditional life insurance and annuity products.

### **Investment Advisors**

ICA, IFC, SII, and Curian Capital, LLC are each affiliated with NPC and are investment advisors registered with the SEC and various state securities agencies.

Jackson National Asset Management, LLC® ("JNAM") is an investment advisor registered with the SEC that serves as investment advisor to: the JNL Series Trust, the JNL Investors Series Trust, the JNL Variable Fund, LLC, the JNL Variable Fund III, LLC, the JNL Variable Fund IV, LLC, and the JNL Variable Fund V, LLC and (with respect to Jackson NY) the JNLNY Variable Fund I, LLC, and the JNLNY Variable Fund II, LLC. JNAM also provides certain research analysis support to the Program as discussed in Item 6 above.

PPM America, Inc. ("PPM") is an investment advisor registered with the SEC that serves as the investment manager for the general accounts of JNL® and JNL/NY® and as a sub-advisor to certain series of the JNL Series Trust and JNL Investors Series Trust. M&G Investment Management Ltd. is also a registered investment advisor that offers advisory and investment management services to investors, institutions, trusts, and investment companies.



## Conflicts of Interest

You should be aware that certain conflicts of interest may exist in our management, distribution, fees, and oversight of the Program. Certain of these conflicts may also apply to the Strategists and other entities that support and receive compensation from the Program.

NPC may provide performance-based compensation to certain of its Home Office employees related to their promotion of the Program since it generates more revenue for NPC than unaffiliated programs that may be available. These incentives may result in your Representative having greater exposure and marketing support for this Program over other programs. NPC may also offer certain of its Representatives recruiting and retention incentives to affiliate with NPC in the form of a loan which is forgivable based on their achieving annual revenue targets over several year periods. This may create a conflict of interest since these Representatives may be incentivized to recommend more costly programs and services in an effort to achieve their revenue requirements. These incentives are customary in the industry and are offered in compliance with applicable securities laws, rules and regulations.

NPC may receive marketing support payments from the Strategists for promoting and administering the Program and their services. These payments present a potential conflict of interest because we may have a financial incentive to recommend this Program versus other programs offered by NPC for which we do not receive similar support. To mitigate this conflict, these payments are limited to annual flat dollar amounts that are not calculated or contingent upon specific asset amounts placed under management with a particular Strategist.

Strategists may also have a conflict as a result of managing similar strategies and making competing investment and trading recommendations for other clients involving the same mutual funds and ETFs held in Program accounts. They may also have a business relationship or relationships with certain mutual funds and ETFs, which might influence their decision to include and trade such investments in a strategy. Strategists managing similar strategies for clients are not constrained to acquire, hold and sell the same security for all of their clients. Additionally, trades placed for you may be subject to price movements that may result in you receiving prices which are less favorable than those obtained by the Strategists for other client accounts. This may result in potential differences and/or dispersion in the performance of the Strategist's other client accounts compared to the results obtained in the Program. We also encourage you to request a copy of any Strategist's brochure should you wish to learn more about their potential conflicts of interest, as applicable.

Certain Model Portfolios managed by the same or different Strategists may have very similar investment strategies and underlying holdings resulting in similar performance results. Model Portfolios similar to those recommended by your Representative may be available to you at a lower cost through the same or another Strategist. Slight differences may occur among these Model Portfolios insofar as the manner in which fees are assessed and disclosed by the Strategists, pricing breakpoints, and actual portfolio holdings. Please consult your Representative if you have any questions regarding similar Model Portfolios that may be available at a lower cost than those recommended to you by your Representative.

Our parent and other related entities may have similar arrangements with the Strategists to concurrently promote the distribution of proprietary or other investment products including, mutual funds, managed accounts, variable annuities, and other alternative products. These arrangements

may or may not necessarily result in additional assets under management or result in a direct or indirect benefit to us.

Certain members of NPC's Investment Policy Committee described in Item 6 may fulfill the same role with respect to similar committees and programs offered by our affiliated firms—ICA, IFC and SII (see Item 10 for more information regarding these firms). By serving on multiple committees, its members are charged with determining which Strategists and Model Portfolios will be made available not only for this Program, but for similar programs offered by our affiliates.

NPC its affiliates have investment responsibilities, render investment advice to, and perform other investment advisory services for other individuals and entities ("Other Accounts"), and NPC and its affiliates, and their partners, directors, officers, agents and employees may buy, sell or trade in any securities for their respective accounts ("Affiliated Accounts"). NPC may give advice or exercise investment responsibility and take such other action with respect to Other Accounts and Affiliated Accounts which may differ from the advice given or the timing or nature of action taken with respect to your Model Portfolio account, provided that it act in good faith, and provided further that it is our policy to allocate, within our reasonable discretion, investment opportunities to our clients' accounts over a period of time on a fair and equitable basis relative to the Other Accounts and the Affiliated Accounts, taking into consideration the cash position and the investment objectives and policies of our clients.

Other Accounts and Affiliated Accounts may at any time, hold, acquire, increase, decrease, dispose of or otherwise deal with positions in investments in which your Model Portfolio account may have an interest, whether in transactions which involve your Model Portfolio account or otherwise. NPC shall have no obligation to acquire for your Model Portfolio, and has no ability to do so, an account a position in any investment that Other Accounts or Affiliated Accounts may acquire, and you shall have no first refusal, co-investment or other rights with respect of any such investment.

Nothing in this Agreement shall prevent us or any of our respective officers, directors, employees, representatives or agents from acting as investment advisor for any other person or entity or in any way limit or restrict our respective officers, directors, employees, representatives or agents from effecting transactions in securities for their own accounts or for the accounts of others, to the extent permitted by law.

## **Other Business Activities**

NPC may modify or add different types of investments to the Program to strengthen the financial capability of our investment platform and meet the ever-changing needs of our investors. Accordingly, we may enter into arrangements with other affiliated and/or unaffiliated entities to make certain investment products or asset classes (i.e. mutual funds, insurance, variable annuities, etc.) available to clients that supplement or complement the Program. In doing so, our affiliates or we, may receive compensation either directly or indirectly from these arrangements. With regard to such activities, the nature of these arrangements, compensation received, and any affiliation for such products will be fully disclosed to investors interested in such products. None of NPC's management persons are registered, or have an application pending to register, as a futures commission merchant, a commodity pool operator, a commodity trading advisor, or an associated person of any of these entities.

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

NPC maintains a Code of Ethics in compliance with SEC requirements that is available upon request from NPC or your Representative. The Code of Ethics applies to all NPC Representatives and covered personnel and is designed to ensure we fulfill our fiduciary duty to clients by always acting in their best interest, avoiding conflicts of interest, and maintaining a strong culture of compliance by following all securities laws, rules and regulations. Among the specific areas addressed by our Code of Ethics as it relates to our Representatives and covered personnel are:

- Pre-approval and reporting of personal securities transactions;
- Restrictions on initial public offering and private placement purchases to prevent unfair investment advantage;
- Insider trading prohibitions to prevent use of non-public information for unfair investment advantage;
- Reporting of gifts and business entertainment; and
- Penalties assessed for Code of Ethics violations to ensure its enforcement.

Under the Program, NPC will not engage in principal transactions (where we enter a purchase or sale of securities with clients on behalf of our own account) or cross-agency transactions (where we broker the purchase or sale of securities between advisory clients). However, we may engage transactions for our accounts or the accounts of others involving the same investments recommended to clients under the Program. We strive to act in good faith and attempt to allocate investment opportunities to clients over a period of time on a fair and reasonable basis relative to other clients and our own accounts.

### **Review of Accounts**

NPC conducts due diligence and monitoring of the Strategists and their Model Portfolios to ensure that they meet our standards for inclusion in the Program. Please see Item 6 above for a detailed description of this process and factors that we consider as part of this ongoing review process.

In addition, NPC's home office personnel, our Office of Supervisory Jurisdiction Branch Managers (referred to as "OSJs"), and our Representatives monitor client accounts to identify situations that may warrant either a more detailed review or specific action on behalf of our clients. These reviews may be triggered by concerns regarding the suitability of a Model Portfolio in relation to a client's stated investment objectives and risk tolerance or unusual account activity, among other factors.

To assist you with reviewing your account activity and performance, NPC makes written periodic reports available to clients that include relevant portfolio information, such as asset allocation, account transactions, securities positions, the fair market values of investments in client portfolios, investment performance for the period, and advance billing notification. NPC does not verify performance data provided to it by third parties to create these reports such that you should rely on the account statements you receive from the Custodian as the official record of your investments. Please discuss any questions you have regarding these reports with your Representative.

You will also receive account statements at least quarterly from the Custodian that include such information as securities positions and values, changes in those values, transactions, and the movement of funds occurring during the reporting period. The account statements you receive from the Custodian are your official account statements. Please compare the information contained in the Custodian account statements with any account statements or reports you may receive from your Representative, and promptly report any discrepancies to NPC's attention.

On at least a quarterly basis, by way of your Program account statement, we request that you provide any necessary updates to the information currently on file with us regarding your Program account. Your Representative will contact you at least annually to verify your financial information and any restrictions on file with us, and to obtain any new or updated information concerning your financial situation that may reasonably be expected to affect our advice concerning your Program account, including whether you wish to impose or modify any restrictions on your Program account. For ERISA account clients, your Representative will contact the plan's representative(s) at least annually to verify that the plan's financial circumstances have not materially changed and that the Model Portfolio (including any applicable restrictions and/or modifications), previously chosen, remains consistent with the plan's funding goals.

## **Client Referrals and Other Compensation**

NPC may utilize the services of approved individuals who act as solicitors for purposes of referring clients to us in accordance with SEC regulations and applicable state securities law. These solicitors will generally be paid a portion of the ongoing investment advisory fee charged to the client by NPC. Clients referred to NPC by a solicitor will not be charged a referral fee and shall remain subject to the same advisory fee schedule as non-referred clients, as set forth above. These solicitation arrangements are required to be disclosed to clients at the time of the referral in a document outlining NPC's solicitation compensation arrangement with the particular solicitor.

## **NPC Privacy Policy**

We encourage you to review our Privacy Policy as described in the NPC New Account Form relative to our processes for gathering and using your personal information, entities with whom we may share this information, and our security practices and procedures for maintenance of this information.