



## NBC Securities, Inc. ADV Part 2A Disclosure Brochure

January 21, 2026

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This ADV Part 2A Disclosure Brochure ("Brochure") provides information about the qualifications and business practices of NBC Securities, Inc. ["NBCS"]. If you have any questions about the contents of this Brochure, please contact us at 800-521-9390 or by emailing [contactus@nbcsecurities.com](mailto:contactus@nbcsecurities.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. NBC Securities, Inc. is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Our Brochure is available under Important Disclosures on our website at [www.nbcsecurities.com](http://www.nbcsecurities.com), and may be requested by calling (800) 521-9390. It is provided free of charge.

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

## **Item 2 - Material Changes**

In this Item 2, NBCS is required to identify and discuss all material changes to its NBCS Form ADV Part 2A Disclosure Brochure. Since the March 22, 2023 version of the Brochure, NBC Securities has the following material updates:

No material updates.

### Item 3 -Table of Contents

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## Item 4 – Advisory Services

### A. GENERAL INFORMATION

NBC Securities, Inc. (“**NBCS**”) is an Alabama corporation which provides an array of financial and investment services to Clients. NBCS is registered as a broker-dealer, member FINRA and SIPC, and is a registered investment advisor. The terms “We”, “Our”, “Us”, “**NBCS**”, “**NBCS FA**” and “**FA**” refer to NBC Securities, Inc.

### B. INVESTMENT ADVISORY SERVICES OFFERED BY NBCS

NBCS offers financial and investment advisory services, including investment management, financial planning and general investment account services (“**Advisory Services**”) to Clients under an investment advisory relationship. Upon the initiation of an investment advisory relationship with a Client, NBCS will review a Client's financial circumstances, prior investment experience, investment goals and objectives, investment restrictions, if any, risk tolerances, a risk profile, and gather other Client information using the NBCS Client Profile (“**Client Profile**”). The firm also includes in its review, consideration as to the suitability and appropriateness of a fee-based investment account for a particular Client. The Client Profile information is maintained by NBCS and updated Client information is either provided by a Client or obtained by the NBCS affiliated financial advisor (“**NBCS FA**” or “**FA**”) or NBCS on a periodic basis.

NBCS provides Advisory Services to Clients through several investment advisory programs (“**IA Program**”) as a program sponsor:

- (1) Professional Asset Management Consulting Program (“**ProAM Program**”);
- (2) Advisors' Portfolio Services Program (“**APS Program**”); and

NBCS also offers IA programs sponsored by RBC Capital Markets LLC (“**RBC**”), and other third-party sponsors. Third-party IA Programs include RBC Consulting Services (formerly Resource II), RBC Total Strategy, RBC Advisor and Envestnet. IA Programs available through NBCS may be added or deleted by NBCS from time to time. Under an IA program, a specified fee (“**Advisory Fee**”) is charged for Advisory Services. The Advisory Fee usually includes the cost associated with the execution of investment transactions; however, exceptions may apply (See Item 5 for additional details). The IA Programs offered by NBCS may include the Advisory Services of NBCS, RBC, a third-party independent sub-advisor, and or an affiliated/proprietary sub-advisor. The sponsor or provider of the IA Program and any associated sub-advisors will provide a copy of their disclosure documents (ADV Part 2A) which will further describe the associated program, account services, account investment minimums, fees, and risks of investment. These additional disclosure documents are available to a Client from the NBCS FA.

NBCS considers the Advisory Services provided in an IA Program as giving continuous advice to a client or making investments for a client based on the individual needs of the Client and based on the information provided by the Client in the Client Profile. Clients participating in an IA Program may contact their NBCS FA at their convenience. The IA Programs are available to individuals, ERISA-qualified accounts, trusts and estates, business accounts, and other suitable investors.

### **ProAM Program**

The ProAM Program is a fee-based IA Program sponsored by NBCS that gives an NBCS affiliated financial advisor **NBCS FA** the ability to provide professional account management from a group of participating investment managers (a “**ProAM Manager**” or “**Investment Manager**”) who meet NBCS’ eligibility requirements for participation. NBCS performs periodic due diligence reviews on the ProAM Managers participating in the ProAM Program.

In the ProAM Program, an NBCS FA will assist the Client in identifying a ProAM Manager based on the Client's investment objectives, risk tolerance, and risk profile as provided in the Client Profile and taking into consideration the investment style and philosophy, strategies, and objectives of a ProAM Manager. Upon the selection of a ProAM Manager, an investment account (“**ProAM Account**”) will be opened for the Client and the assets within the ProAM Account will be managed by the ProAM Manager. The selected ProAM Manager has discretionary trading authority for the ProAM Account.

NBCS may recommend the services of multiple ProAM Managers to a Client. NBCS may provide a client with periodic performance reports for the Account. NBCS may recommend a change in a ProAM Manager to a Client based on ProAM

Manager' performance data or other criteria or based upon a change in a Client's investment objectives, risk tolerance, risk profile or financial circumstances. The transfer of a Client's Account to a different ProAM Manager is at the Client's discretion.

NBCS does not have discretionary trading authority for a ProAM Account unless NBCS Asset Management is appointed by the Client as ProAM Manager. NBCS Asset Management is a division of NBCS. See Items 5 and 10, below for additional details.

Using a third-party money manager, investment manager, or professional money manager does not guarantee a profit or protect against market loss.

### **APS Program**

The APS Program is a fee-based IA Program sponsored by NBCS in which a client may receive Advisory Services and investment advice from an FA for investing in various asset classes. This may be accomplished through no-load mutual funds, Advisor Class Mutual Fund Shares, equities and fixed-income securities, and other eligible securities. In the APS Program, an NBCS FA will provide a Client with Advisory Services in an investment account ("APS Account") based on the Client's investment objectives, risk tolerance, and risk profile as provided in the Client Profile.

In a "Standard APS Account", the Client pays an asset-based fee for Advisory Services in addition to a transaction processing fee. The amount of the transaction fees is disclosed in the Client Profile. See Item 5, below.

Within the APS Program, a participating Client has the choice to select a fee option for the APS Account defined as "APS-Plus Account". In an APS-Plus Account, the Client pays an asset-based fee for Advisory Services and receives a limited annual trade allotment with no transaction fee. The annual trade allotment is determined based on the account value. If the number of actual trades exceeds the annual trade allotment, then the Client will pay a transaction fee for each trade over the annual allotted amount. The amount of the annual trade allotments and the amount of transaction fees, if applicable, are disclosed in the Client Profile. See Item 5, below for additional details.

In an APS Account, a client may designate discretionary or non-discretionary trading authority to the NBCS FA. Discretionary trading authority must be specifically granted by the Client on the Client Profile.

Client understands that the APS Account is not for day trading or other high frequency trading activity, including frequent option trading, and NBCS may, without limiting any other rights or remedies, restrict or terminate the APS Account if it determines that Client is engaging in such activity. NBCS may also elect to terminate an APS Account at any time if it determines the client's transaction history is no longer suited for a fee-based investment advisory account. In addition, NBCS may restrict or terminate the APS Account if the Client purchases or transfers into the account ineligible securities without the prior consent of NBCS. NBCS reserves the right, in its sole discretion, to adjust the annual APS Program fee for changes in security type, trading activity, or Account size at any time without notice.

### **Envestnet Program**

Envestnet is an investment management firm founded in 1999 that provides investment management and investment advisory services through independent investment advisors ("Advisor(s)") for use with Advisors' clients (each a "Client"). Envestnet also serves institutional clients such as pension or profit-sharing plans, trusts, estates, and corporations and provides advisory and research services directly to Advisors. As of December 31, 2016, Envestnet Asset Management, Inc. had \$93 billion in assets under management and \$223 billion in assets under administration.

Utilizing the Envestnet platform tools, the Advisor will allocate the Client's assets among the different options in the Program and determine the suitability of the asset allocation and investment options for each Client, based on the Client's needs and objectives, investment time horizon, risk tolerance, and any other pertinent factors. Envestnet uses several proprietary analytical tools and commercially available optimization software applications in developing its asset allocation strategies. Among the factors considered in designing these strategies are historical rates of risk and return for various asset classes, correlation across asset classes, and risk premiums. For all Programs, the Client directly

owns the underlying securities, mutual funds or Exchange Traded Funds (“ETFs”) in each of the Program’s investment strategies. Mutual funds, ETFs, closed-end funds, unit investment trusts and real estate investment trusts exchange traded funds are collectively referred to throughout this document generally as a “Fund” or “Funds.”

**For more information about the operation of the Envestnet Program, please see the Envestnet Program Agreement, Terms and Conditions and Disclosure Document Form ADV, Part 2A.**

#### **RBC Consulting Services (formerly Resource II)**

The RBC Consulting Services (formerly Resource II) Program (“**Consulting Services (formerly Resource II)**”) is a fee-based IA Program sponsored by RBC and made available to NBCS as an introducing broker to RBC. In the Consulting Services (formerly Resource II) Program, the Client will sign a Consulting Services (formerly Resource II) Program Agreement with RBC and the NBCS, in addition to the NBCS Client Agreement. In Consulting Services (formerly Resource II), RBC makes available Investment Managers or Model Providers who meet RBC’s eligibility requirements for participation. The client does not sign a separate agreement with the Investment Manager or Model Provider.

Within Consulting Services (formerly Resource II), a Client Account is managed by one or more participating professional investment managers (a “**Consulting Services (formerly Resource II) Manager**” or “**Investment Manager**”). An NBCS FA will consult with the Client in identifying and selecting a Consulting Services (formerly Resource II) Manager whose investment philosophy and objectives may be compatible with the Client’s Risk Profile. NBCS may recommend the services of multiple Consulting Services (formerly Resource II) Managers to a Client. A Consulting Services (formerly Resource II) Manager has discretionary trading authority over the Account. NBCS does not have discretionary trading authority over an Account within Consulting Services (formerly Resource II).

Alternatively, through Consulting Services (formerly Resource II), RBC offers model portfolios, managed by RBC acting as an overlay manager. As the overlay manager, RBC manages the Account under model portfolios provided by RBC or another model portfolio provider (“**Model Provider**”). See the RII Program Agreement for more information about the overlay manager. The NBCS FA may provide the Client with information on model portfolios representing different investment styles and strategies that may be compatible with the Client’s Risk Profile.

In the Program Agreement, the Client will select Model Provider. The Model Provider selects securities by delivering a model portfolio (“**Model Portfolio**”) to RBC. In RBC’s capacity as the overlay manager, RBC will implement the Model Portfolio in the Account, subject to any written Investment Guidelines submitted by the Client that are accepted by RBC. In certain instances, consistent with best execution obligations, RBC, as overlay manager, may choose to delegate trading responsibilities to the Model Provider and the Model Portfolio from RBC. This generally will result in additional transaction costs to the Client. This delegation of trades only applies to Model Portfolio changes. All maintenance trades will continue to be executed by RBC as overlay manager. Under this arrangement the Model Provider will be responsible for best execution. Where RBC does not act as the overlay manager, the Investment Manager you select will implement the investment decisions for the Account.

NBCS may recommend a change in a Consulting Services (formerly Resource II) Manager to a Client based on Consulting Services (formerly Resource II) Manager’ performance data or other criteria or based upon a change in a Client’s investment objectives, risk tolerance, risk profile or financial circumstances. The transfer of a Client’s Consulting Services (formerly Resource II) Account to a different Consulting Services (formerly Resource II) Manager is at the Client’s discretion.

**For more information about the operation of the Consulting Services (formerly Resource II) Program, please see the Consulting Services (formerly Resource II) Program Agreement, Terms and Conditions and Disclosure Document Form ADV, Part 2A.**

## RBC Total Strategy

The RBC Total Strategy Account Program (“**TSA Program**”) is a fee-based IA Program sponsored by RBC and made available to NBCS as an introducing-broker to RBC. In the TSA Program, Client will sign a TSA Program Agreement with RBC and the NBCS, in addition to the NBCS Client Agreement. In the TSA Program, an “**Overlay Manager**” will manage the Account on a discretionary basis according to a Client’s Investment Guidelines. NBCS does not provide any discretionary management services under the TSA Program.

The management of the Account may include tax overlay management services. Account assets may be invested in mutual funds, exchange traded products (“**ETPs**”), including exchange traded funds (ETFs), and exchange traded notes (ETNs) and or in accordance with one or more model portfolios (each, a “**Model Portfolio**”) provided by one or more investment managers (each, a “**Model Portfolio Provider**”) pursuant to a model portfolio agreement between RBC and the Model Portfolio Provider.

RBC’s advisory services in connection with Client’s participation in the TSA Program are limited to selecting and monitoring the Overlay Manager and Model Portfolio Providers and in acting as Model Portfolio Provider. NBCS’ advisory services in connection with Client’s participation in the TSA Program are limited to assisting Client in identifying an appropriate investment strategy designed to reflect Client’s investment needs and objectives, as set forth in the Investment Guidelines, and in recommending mutual funds, ETPs and or Model Portfolios to be used in implementing the Client investment strategy.

Client’s investment strategy will include a written investment allocation (“**Allocation**”) — that is, an assignment of a percentage of the overall value of the Account to mutual funds, ETPs and or Model Portfolios. Client may subsequently modify the Allocation by notifying the NBCS FA of the changes. Any such changes will be effective only upon confirmation by RBC and the Overlay Manager.

The Overlay Manager provides investment advisory services to Client pursuant to the investment advisory agreement between the Overlay Manager and RBC (“**Overlay Manager Agreement**”), the TSA Client Agreement and, if applicable, the Tax Overlay Management Services Enrollment Form and in accordance with Client’s Investment Guidelines. If Client’s Account is invested only in mutual funds or ETPs and is not invested in a strategy provided by a Model Portfolio Provider, Client has sole discretion to accept or reject an investment strategy or any specific recommendation to purchase or redeem mutual fund or ETP shares; the Overlay Manager has limited discretionary authority with respect to the Account and will execute only transactions directed by Client, in accordance with the rebalancing frequency elected by Client and to manage cash flows. If Client’s Account has an investment strategy utilizing Model Portfolio(s), the Overlay Manager will effect the securities transactions required to conform to revisions to Model Portfolio as soon as practicable after they are received from the Model Portfolio Provider, in accordance with any Client-specific mandates such as security restrictions or tax overlay management services. Client understands and acknowledges that delays may occur between the communication of Model Portfolio Provider’s revisions to the Model Portfolio and the execution of securities transactions for the Account.

Client may choose between two rebalancing frequencies (quarterly or annually). The Overlay Manager will rebalance the Account at the time period selected by Client in the Client Agreement if the allocation to any investment at the time of rebalancing deviates from the Allocation by five percent (5%) or more. Client authorizes and directs the Overlay Manager to effect the trades necessary to rebalance the Account until all investments are within two percent (2%) of the Allocation. Alternatively, Client may elect not to have the Account rebalanced systematically, rather the Account will only be rebalanced upon Client request.

Tax overlay management services are available as an option for Accounts utilizing model portfolios. If tax overlay management services are elected, the portion of the fee paid by Client as the management fee on the Account will increase. The Overlay Manager will develop a tax strategy for the Account based on the information and instructions provided by Client in the Tax Overlay Management Services Enrollment Form. Tax overlay management services in an investment account offer benefits and limitations, as described further in the TSA Program Agreement. The tax strategy

developed for the Client by the Overlay Manager is provided solely in connection with Client's Account and the Overlay Manager does not provide general tax planning services

**For more information about the operation of the TSA Program, please see the RBC Total Strategy Account Program Agreement, Terms and Conditions and Disclosure Document, Form ADV, Part 2A.**

#### **RBC Advisor**

The RBC Advisor Program is a fee-based IA Program sponsored by RBC and made available to NBCS as an introducing-broker to RBC. RBC Advisor is a customized investment advisory program through which a client may receive non-discretionary advice from an NBCS FA to invest in eligible securities in various asset classes. This may be accomplished through no-load mutual funds, load-waived mutual funds, equities and fixed income securities and other eligible securities. In the RBC Advisor Program, an NBCS FA will provide a Client with Advisory Services in an investment account ("Advisor Account") based on the Client's Investment Guidelines as provided in the Client Profile.

Under the RBC Advisor Program, Client has sole discretion whether to use margin, accept or reject an investment strategy or any specific recommendation to purchase, sell or redeem securities. NBCS's responsibility in connection with Client's participation in the RBC Advisor Program is to consult with Client, based on the Investment Guidelines, as to which investment strategy would be compatible with Client's investment objectives and needs and as to which investments would be compatible with the strategy selected by Client. NBCS and RBC have no discretionary authority concerning the Advisor Account and will execute only transactions directed by the Client.

Client understands that the Advisor Account is not for day trading or other frequent trading activity, including frequent option trading, and NBCS or RBC may, without limiting any other rights or remedies, restrict or terminate the Advisor Account if it determines that Client is engaging in such activity. In addition, NBCS or RBC may restrict or terminate the account if the Client purchases for or transfers into the account ineligible securities without the prior consent of RBC. The client is solely responsible for the use of trading privileges in the Advisor Account. Losses resulting from Client-initiated or Client-directed transactions, including, without limitation, losses resulting from the frequency of trading, are solely the Client's responsibility.

In an Advisor Account, the Client pays an asset-based fee for both Advisory Services and transaction processing. NBCS and RBC reserve the right, in its sole discretion, to adjust the annual Program fee for changes in security type, trading activity, or Account size at any time without notice.

**For more information about the operation of the RBC Advisor Program, please see the RBC Advisor Program Agreement, Terms and Conditions, and Disclosure Document Form ADV, Part 2A.**

#### **RBC Unified Portfolio**

RBC Unified Portfolio is a unified managed account "UMA" program through which your account is professionally managed by RBC CM as Overlay Manager or a third-party Overlay Manager, Envestnet. The Overlay Manager manages the account through investments in mutual funds, ETPs, and/or following one or more model portfolios provided by Model Providers or RBC CM, all in a single account. Your Financial Advisor may provide you with information on mutual funds, ETPs, and/or model portfolios representing different investment styles and strategies that may be compatible with your Risk Profile.

The management of your account may include tax overlay management services and/or personal conviction overlay screens. If you elect either or both additional services, your account will be managed by Envestnet, otherwise, RBC CM will act as Overlay Manager.

**Recommendation of Investment Strategy** - Based on our understanding of your Risk Profile (and any additional written Investment Guidelines established by you), your Financial Advisor will recommend an appropriate investment strategy for you. If the strategy includes an asset allocation, it will also include an investment allocation—that is, an assignment of a percentage of the overall value of the asset class to one or more mutual funds, ETPs, or model portfolios. You select

from the eligible investments and specify the investments in which account assets are to be invested and the allocation among those investments. Your investment allocation may subsequently be modified by you by notifying Correspondent Firm, which will in turn notify RBC CM, of the changes. Any such changes will be effective only upon confirmation by RBC CM and the Overlay Manager. However, if your investment allocation includes a mutual fund share class RBC CM deems to be ineligible for the Program, RBC CM may update the allocation to include the equivalent, eligible share class of the same mutual fund without notification to you.

The Overlay Manager will affect the securities transactions required to conform to revisions in the model portfolios as soon as practicable after they are received, subject to any written client-specific Investment Guidelines such as security restrictions, personal conviction overlay screens or tax overlay management services; however, delays may occur between the communication of model revisions and the execution of securities transactions for the account. The Overlay Manager intends to manage an account so that the estimated investment performance does not substantially deviate from the model portfolio(s), provided client-specific Investment Guidelines make it practicable to do so.

### **Rebalancing of Assets**

You may choose between two rebalancing frequencies (quarterly or annually) to bring an account back to its targeted investment allocation. The Overlay Manager will rebalance the account either quarterly or annually, as selected, affecting the trades necessary to rebalance the account as closely as practicable to your target investment allocation. The initial rebalance date will be based on the account start date. Your account may be rebalanced at any time deemed appropriate by the Overlay Manager due to other factors that include but are not limited to, contributions, withdrawals, model portfolio changes, etc. Any unscheduled rebalance of your account will reset the next rebalance date to the next quarter or a year, as applicable. If you have elected to receive tax overlay management services (described below), Envestnet will evaluate the trade-off between rebalancing the account and the tax consequences of any client constraints or tax mandates. If your account is not tax-exempt, the sale, redemption, or exchange of investments may result in taxable gains or losses. RBC CM will not be liable for any tax consequences or mutual fund redemption fees (see the fund's prospectus) because of rebalancing.

Alternatively, you may elect not to have the account rebalanced, in which case the account will only be rebalanced upon your request. In addition, if the Overlay Manager deems a rebalance is necessary to implement the allocation and investments selected, they may rebalance your account at its discretion.

In general, any contributions and withdrawals of assets to or from your account will be applied to the target investment allocation.

### **Tax Overlay Management Services**

Tax overlay management services are available as an option for accounts utilizing model portfolios. These services are provided by Envestnet for an additional fee ("Tax Management Fee"). Envestnet will develop a tax strategy for your account based on the information and instructions provided by you in the Tax Overlay Management Services Enrollment Form. Tax overlay management services in an investment account offer benefits and limitations, as described below. The tax strategy developed for you by Envestnet is provided solely in connection with your account and Envestnet does not provide general tax planning services. If you do elect the tax overlay management services option, please consider the following:

- Tax overlay management services are limited in scope and are not designed to eliminate taxes in the account.
- If you select tax overlay management services for the account, the information provided may result in Envestnet making substantial deviations from the investment allocation on a more than temporary basis.
- Envestnet intends to manage the account so that the estimated investment performance does not substantially deviate from the model portfolio(s), provided client-specific mandates make it practicable to do so.
- When providing tax overlay management services to the account, short-term gains are avoided where possible, but long-term gains are not limited. Limits can be set by you in the Tax Overlay Management Services Enrollment Form.
- If you subsequently disable tax overlay management after enrolling in the tax overlay management service,

Envestnet will begin managing the account as if it is not tax managed which may result in the recognition of significant gains.

- You should only complete the Tax Overlay Management Services Enrollment Form after consulting with a tax advisor.

Any tax loss carryover specified for the current calendar year may be taken into consideration by Envestnet in managing the account. You should update this information annually. On an ongoing basis, any losses taken into the account may be taken into consideration in managing the account. If you recognize gains outside the account that result in the use of the specified losses, you must notify Correspondent Firm, which will in turn notify RBC CM, and RBC CM will in turn notify Envestnet, so that the loss carryover amount may be reduced accordingly.

Mandates or the use of limits to restrict the amount of gains realized or your total tax bill may severely restrict trading in the account and could result in substantial deviations from the investment allocation. Mandates and limits should only be imposed on the account after you have consulted with your tax advisor. Amounts specified will be used annually until you specify otherwise.

For more information on Tax Overlay Management Services, please refer to Envestnet's ADV.

Personal Conviction Overlay Screens Clients may restrict their accounts from investing in certain securities or industries. These services are provided by Envestnet for an additional fee ("Personal Conviction Overlay Screen Fee"). Envestnet relies on third-party providers for data of the industry classification and socially responsible classifications of individual securities, and Envestnet and RBC CM make no guarantee as to the accuracy of such third parties' classification. Changes may occur that affect the industry classification of a firm and Envestnet will make reasonable efforts to implement those changes in a timely manner. In general, Envestnet may implement restrictions by taking one or more of the following actions: increasing the relative proportions of other securities to replace the restricted securities; increasing cash in the account; and selecting alternate securities.

Many of the personal conviction overlay screens have both a Best in Class and Strict restriction. Best in Class restrictions are designed for investors aiming to achieve alignment between their values and their need to ensure the prudent management of their investments while Strict restrictions are designed for investors who want to integrate more stringent environmental/social criteria into their investments by further evaluating sources of revenue and employing tighter revenue thresholds. They seek to minimize exposure to companies with specific products, services, and operations that do not meet the personal convictions criteria set by the client.

## **Financial Planning**

NBCS may provide financial planning services ("FP Services") to customers for a fee. NBCS FAs may provide a client with one or more of the following FP Services: (i) assistance in the development of an investment plan; (ii) wealth accumulation strategies; (iii) wealth protection strategies; (iv) converting wealth to income (i.e. retirement income planning); (v) wealth transfer (i.e. charitable planning, gifting strategies, business succession etc.); (vi) advanced planning strategies as requested by the client.

FP Services are available to individual and corporate clients. Where provided to a corporate client, the FP Services are provided at the individual level to employees of the corporate client. An NBCS FA will work closely with the Client to analyze and define the Client's financial objectives and needs. Using applicable documents provided by the Client which may include tax returns, financial statements, wills, trust documents, estimated social security statements, insurance summaries, account statements and other relevant documents, the NBCS FA will typically prepare a written executive summary and financial plan ("FP Services Plan") which addresses the Client's financial objectives and needs.

For the FP Services the Client will pay a fee ("FP Services Fee") that is a negotiated flat fee or a percentage of assets under management or a combination of both. The amount of any negotiated FP Services Fee is based upon the nature and complexity of the Client's situation, needs, and other relevant factors, such as the level of services provided by the NBCS FA, and are discussed and agreed upon before performing the FP Services.

Depending upon the total assets involved, strategies required, and complexity of the overall plan structure, the FP Services Fee may typically range from a minimum of \$100 to a maximum of \$10,000. Some clients may pay a higher or lower FP Services Fee. Advisory fees are not charged for insurance analysis. In all cases, the FP Services Fee is negotiated and agreed upon with the Client before the delivery of any financial plan. The FP Services Fee expressly does not cover any fees due to any trustee, custodian, investment manager, or sponsor concerning any account, any brokerage commissions concerning transactions, or any other fees, costs, or expenses for the implementation of the FP Services Plan.

The Client may choose to implement all or a portion of the FP Services Plan with NBCS but is not obligated to do so. Should the Client choose to implement any or all any investment strategies recommended as part of the FP Services with NBCS, one or more Accounts would need to be established and would be subject to separate fees or commissions associated with that specific investment program as disclosed within the Client agreement.

### **Other Considerations for IA Program Accounts**

#### **Cash Balances:**

In the first quarter of 2017, the RBC Bank Deposit Program cash sweep option was renamed RBC Insured Deposits. Both names may be used to refer to this cash sweep option. For most accounts, RBC Insured Deposit is the only cash sweep option available to a customer of NBCS. Cash custodied at RBC will be automatically invested or deposited the next business day (as applicable). This automatic process is referred to as a "Cash Sweep Option." The client should review the RBC Customer Agreement for details regarding RBCs' automatic cash investment process and the Credit Interest Program. The Credit Interest Program and the RBC Insured Deposits (formerly, RBC Bank Deposit Program) are described in more detail in the RBC Disclosure Document. NBC Securities is paid by RBC a portion of the spread between interest earned by RBC in the Insured Deposit Program and the rate paid to the account holder. This interest-sharing compensation creates a conflict of interest for NBC Securities to recommend you maintain cash balances as we make more money when you do.

#### **Margin**

Certain Program accounts may be eligible for margin or other types of securities-based lending as part of RBC CM's brokerage services. The extension of credit may be obtained through an affiliated or unaffiliated loan program, such as RBC Express Credit (margin) and RBC Premier Line of Credit (pledge) (collectively referred to as "Lending Programs"). Before enrollment in such Lending Programs, you should carefully review that Lending Program's disclosure document and understand the risks associated with leveraging your Account. You must carefully consider:

- whether or not you can afford, and want, to assume the additional risks that losses in your account may be significantly greater than if you decide not to invest with borrowed funds (i.e., not to use leverage). You may lose more than your original investment.
- you will pay RBC CM and NBCS interest on the outstanding loan balance; thus, the use of leverage will increase your costs of investing.
- leveraging your account may increase your risks and make your investment objectives more difficult to realize, depending upon the return achieved through the use of margin.
- since the advice fee is calculated as a percentage of assets under management, the use of margin to purchase securities in a Program account generally will increase the amount (but not the percentage of) the fee that you pay. This will result in additional compensation to RBC CM and/or NBCS.
- RBC CM or, a third-party lender in the case of a pledged account, can force the sale of Program assets to satisfy margin and pledge requirements without notice to you.
- neither RBC CM nor NBCS will act as an investment advisor to you for the liquidations of securities held in the Program account to meet collateral requirements.

- these liquidations will be executed in our capacity as broker-dealer and creditor and may, as permitted by law, result in executions on a principal basis in your Account;
- under these circumstances, NBCS cannot guarantee a favorable price on the sale of Program assets or that the liquidations align with your investment strategy; and
- the costs associated with Lending Programs are not included in the Program Fee and will result in additional compensation to RBC CM and NBCS.

## Risks

You are advised and should understand that:

- certain securities in your account may be a complex product. Complex products may be used by investment managers, model portfolio providers, NBCS Financial Advisors or selected by you and may present additional risk due to the intricacy of these products and the possibility that the product will not perform as anticipated. For further information on complex products, please consult your Financial Advisor.
- past performance of selected investments is no guarantee of future results.
- market conditions, interest rates, and other investment-related risks may cause losses in your account.
- the risk parameters or comparative index selections provided for an account are guidelines only — the selected risk parameters may be exceeded, and index comparisons may outperform an account.
- benchmarks are selected by your Financial Advisor or the investment manager, if applicable, and are intended to be an accurate comparison of the performance of your account. However, your account performance may not correspond directly to the selected benchmark, which may be more or less volatile than your actual portfolio.
- all trading in your account is at your risk.
- certain securities and mutual fund share classes may be deemed ineligible for the Programs. If you have a systematic buy or sell transaction established for a security or mutual fund share class deemed ineligible for the program selected, the transaction may be rejected resulting in your trade(s) not being fulfilled; and
- the value of the assets in your account is subject to a variety of factors, such as the liquidity and volatility of the securities markets.

## Item 5 - Fees and Compensation

IA Program Advisory Fees are based upon an annual percentage of the Client's assets under management. Advisory Fees will generally range from .50% to 2.50% annually based on the Investment Manager selected by the Client, the total market value of assets in the Client's overall investment portfolio, and the complexity of Advisory Services. Advisory Fees are negotiable between NBCS and the Client and are outlined in the Client Profile. Minimum NBCS Program Fees may be applied per Account and may vary by IA Program. Minimum Program Fees are disclosed in the Client Profile.

The Advisory Fee typically includes the fees for the Advisory Services of NBCS, the IA Program sponsor, the Investment Manager, and the Overlay Manager, if applicable. The Advisory Fee, subject to the exceptions listed below, also covers charges applicable to securities transactions effected for the Account by the Investment Manager through NBCS and RBC. The Advisory Fee does not cover, and Client will be additionally responsible and charged for outside brokerage commissions, margin interest, custody fees, including annual IRA custodial fees, and certain other expenses for additional Account services, as described in the IA Program agreement.

In addition, NBCS and an NBCS FA, in their separate capacities as registered representatives, may receive a commission on the recommendation and sale of other financial products, such as insurance and variable insurance products, to investment advisory Clients. As a result, NBCS and the NBCS FA may receive additional compensation from usual and customary insurance commissions or referral fees. However, the Client has the option not to purchase the recommended products and can purchase products through other unaffiliated brokers or agents.

Investment Managers establish their management fee (“**Investment Manager Fee**”) which generally ranges from 0.25% to 1.00% of assets under management. The Investment Manager Fee is included in the total Advisory Fee and is paid by NBCS to the Investment Manager. Investment Managers may direct certain securities transactions to brokers other than NBCS or RBC for execution and in such instances, the Client may incur an additional commission or other execution, settlement, or transaction charge.

NBCS receives additional compensation when NBCS Asset Management is selected as Investment Manager for a ProAM Account. NBCS will benefit financially from the portion of the Advisory Fee paid to NBCS Asset Management as the Investment Manager Fee. The Investment Manager Fee received by NBCS Asset Management generally ranges from .25% to .50% of assets under management. See item 10, below for further information.

In the APS Program, a Standard APS Account pays an Advisory Fee plus a transaction processing fee (“**APS Transaction Fee**”). The APS Transaction Fee is \$14.95 per transaction. Certain mutual funds and exchange traded funds (“**ETPs**”) participating in the RBC No Transaction Fee program (“**NTF Fund**”) may be executed in an APS Account and will not incur an APS Transaction Fee. Option trades incur an additional \$1.50 per contract processing fee. The APS Transaction Fee is used by NBCS to cover the cost of processing transactions in the APS Account. The NBCS FA does not receive any portion of the APS Transaction Fee. A Portion of the APS Account Advisory Fee is retained by NBCS to cover program costs and a portion of the Advisory Fee is shared with the NBCS FA for providing Advisory Services.

In an APS-Plus Account, a client pays the Advisory Fee plus an additional fee ranging from an annual 0 to 20 basis points, computed on the market value of the APS Account assets, and the Client receives a limited annual trade allotment with no transaction fee. The annual trade allotment is based on the account value. If the number of actual trades exceeds the annual trade allotment, then the Client may pay a transaction fee of \$8.00 per trade for each trade over the annual allotted amount. Factors included by NBCS in determining whether to charge the Client for over-allotment trade fees include whether the NBCS FA has discretionary trading authority for the Account. The annual trade allotments provided for APS-Plus Accounts are as follows:

| Account Market Value                   | Annual Trade Allotment |
|--|------------------------|
| First \$250,000                        | 25                     |
| Amount over \$250,000 to \$1,000,000   | 50                     |
| Amount over \$1,000,000 to \$5,000,000 | 100                    |
| Amount over \$5,000,000                | 200                    |

Advisory Fees for the ProAM Program, APS Program, RBC Consulting Services (formerly Resource II), RBC Total Strategy, and RBC Advisor are calculated as a percentage of the account value. Advisory Fees are payable in advance quarterly and calculated based on RBC’s valuation of the underlying assets in the Account as of the last business day of the preceding calendar quarter or alternative quarter as elected. Where permitted, the Client may elect to be billed on an alternative quarterly cycle. The Client can elect to be invoiced directly for the Advisory Fees, authorize NBCS to deduct the Advisory Fees from the Account, or direct NBCS to deduct the Advisory Fees from another Client Account.

Advisory Fees are prorated for any billing period that is less than a complete calendar quarter, or alternative quarter as selected, and the fee is adjusted proportionately based on the value of cash or securities added to or withdrawn from the account between billing periods. If a client account is terminated prior to the last day of the calendar quarter, or alternative quarter as elected, then a pro-rata portion of the fees paid by the Client, based on the days remaining in the quarter, will be refunded to the Client.

Advisory clients may terminate an advisory relationship within five (5) business days of signing an advisory agreement without penalty or thereafter upon receipt of written notice by either party. Upon termination of an advisory relationship, any unearned fees will be refunded to the client on a prorated basis.

Most of the IA Programs require a minimum initial investment amount. The ProAM Program and Consulting Services (formerly Resource II) Program minimums are typically \$100,000. Certain ProAM Managers and RBC Consulting Services (formerly Resource II) Managers may impose additional minimum account sizes ranging as high as \$10 million. Clients should review the disclosure documents of Investment Managers for additional information. The APS Program and RBC Advisor Program minimums range from \$5,000 to \$50,000. Certain mutual fund and ETF-managed model portfolio accounts require a minimum investment of \$25,000. NBCS will only offer the IA Programs if appropriate to a client's needs and financial situation. The Advisory Fee and account minimums are typically negotiable.

The Advisory Fee charged is calculated as described above and is not charged based on a share of capital gains upon or capital appreciation of the funds or any portion of the funds of an advisory client (Rule 205-3 of the Investment Advisers Act of 1940).

The Advisory Fee is separate and in addition to the fees and expenses charged by any mutual funds or ETFs in which Client assets may be invested. Information about any mutual fund or ETF fees and expenses may be found in the prospectus for each respective security. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a mutual fund directly, without the services of NBCS. In that case, the client would not receive the services provided by NBCS which are designed, among other things, to assist the Client in determining which mutual fund or ETF are the most appropriate to each Client's financial condition and objectives. Accordingly, the Client should review both the fees charged by the funds and the fees charged by NBCS to fully understand the total amount of fees and to thereby evaluate the advisory services for which the client is paying.

### **Additional Information Regarding Advisory Fees**

NBCS considers it appropriate and necessary for the IA Programs described in this brochure to use the brokerage and execution services of NBCS and/or RBC. Certain of the IA Programs require the use of RBC for all trade execution. In directing the use of RBC, Clients should recognize that NBCS may not be able to obtain the best execution for all transactions.

In a prospective client's consideration of the IA Programs described in this Brochure, a prospective client should be aware that the IA Program may cost a client more or less than purchasing the actual services separately from other advisers or broker-dealers. The factors that should be considered by a prospective client include the size of a client's portfolio, the nature of the investments to be managed, commission costs, custodial expenses, if any, the anticipated level of trading activity, and the amount of advisory fees only for managing the client portfolio.

As the advisory fees and commissions charged may be negotiable, those fees and charges may vary among Clients based upon several factors, including the anticipated level of account activity, the size of the Client's account, the types of investments, and the nature of related services provided, among other things.

As explained above, the fee paid to NBCS may be more than what NBCS would receive if the Client paid separately for investment advice, brokerage and other services. Therefore, NBCS and its representatives have a financial incentive to recommend an IA Program over purchasing these services separately. Also, see Item 12.

When Class A mutual fund share positions, as well as other share classes that pay a 12b-1 fee, are held in or transferred into any IA program accounts, NBCS will convert those shares into an Advisory Share class where one is available to use through a selling agreement provided the mutual fund company permits the conversion to be processed on a tax-free exchange basis for non-qualified accounts. For qualified accounts, shares will be converted into an Advisory Share class

where one is available to use through a selling agreement. In cases where these non-advisory shares are subject to short-term redemption fees or deferred sales charges, the share class conversion will not occur. Instead, those non-advisory shares will be transferred to a like titled NBCS brokerage account. If you do not have a NBCS brokerage account, a new brokerage account will be opened for you in the same ownership as the intended IA Program account. The NBCS Client Terms and Conditions and other important client disclosures will govern this NBCS Brokerage account including any applicable fees charged, transaction fees, and the mandatory pre-dispute arbitration agreement.

NBCS will convert mutual fund shares back to Non-Advisory shares upon request by the mutual fund company if you close your IA Program account or if we determine your IA Program account is no longer appropriate.

Without notice to you, NBCS may convert mutual funds in your Program Account to a lower-cost share class offered by RBC CM or make changes to your investment model or allocation in the event a lower-expense share class is available at RBC CM.

#### **Item 6 - Performance-Based Fees and Side-By-Side Management**

In some cases, NBCS has entered performance fee arrangements with qualified Clients: such fees are subject to individualized negotiation with each such Client. NBCS will structure any performance or incentive fee arrangement subject to Section 205(a)(1) of the Investment Advisors Act of 1940 (The Advisors Act) under the available exemptions thereunder, including the exemption outlined in Rule 205-3. In measuring Clients' assets for the calculation of performance-based fees, NBCS shall include realized and unrealized capital gains and losses. Performance-based fee arrangements may create an incentive for NBCS to recommend investments that may be riskier or more speculative than those that would be recommended under a different fee arrangement. Such fee arrangements also create an incentive to favor higher fee-paying accounts over other accounts in the allocation of investment opportunities. NBCS has procedures designed and implemented to ensure that all Clients are treated fairly and equally and to prevent this conflict from influencing the allocation of investment opportunities among Clients.

#### **Item 7 - Types of Clients**

NBCS may provide portfolio management services to individuals, high net-worth individuals, corporate pension and profit-sharing plans, Taft-Hartley plans, charitable institutions, foundations, endowments, municipalities, private investment funds, trust programs, sovereign funds, and other U.S. institutions.

NBCS advisory accounts typically require a \$50,000 minimum investment for equity and fixed-income accounts. Investment Managers may impose additional minimum account sizes ranging as high as \$10 million. Clients should review the disclosure documents of sub-advisers for additional information. Mutual fund accounts typically require a minimum investment of \$25,000, although they may be higher or lower. NBCS will only offer Advisory Services if appropriate to the Client's needs and financial situation.

#### **Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss**

NBCS' investment management services generally cover exchange-listed, over-the-counter, foreign securities, warrants, fixed-income securities, investment company securities including variable life insurance, variable annuities, mutual funds, U.S. Treasuries, and options contracts on securities.

The firm utilizes many investment strategies in implementing the investment services provided to clients which may include long and short-term purchases, trading, margin transactions, and option strategies. Some strategies involve higher degrees of risk and will only be used when appropriate to the individual needs of the client.

NBCS utilizes many sources of financial information in the firm's analysis of securities including financial publications and analyses, research reports, corporate rating services, annual reports, prospectuses, SEC filings, company press releases, and online services and information available on the Internet. Various methods of analysis are utilized including technical and fundamental analysis, as well as charting and cyclical analysis.

For more information on the securities analysis methods, sources of information, and investment strategies of third-party and affiliated investment advisers participating as sub-advisers in the ProAM Program, clients should review the sub-adviser's disclosure documents.

Investing in securities involves the risk of loss that clients should be prepared to bear.

#### **Item 9 - Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of the Advisor or the integrity of the Advisor's management.

It should be noted that the disciplinary reporting requirements for broker-dealers and investment advisers differ. Since we are registered as both a broker-dealer and investment adviser, we file information as required by both sets of regulatory requirements. In addition to the descriptions below, you can find additional information about us and management personnel on the Securities and Exchange Commission's website located at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) as well as the Financial Industry Regulatory Authority's (FINRA) website located at [www.finra.org/brokercheck](http://www.finra.org/brokercheck).

In each of the instances described below, we entered various orders, consents, and settlements without admitting or denying any of the allegations.

NBC Securities (NBCS) entered a settlement with the Securities and Exchange Commission (SEC) without admitting to or denying the findings from the SEC's Share Class Selection and Disclosure initiative. As a result, on March 11, 2019, the SEC entered an Order Instituting Administrative and Cease-and-Desist proceedings, making findings, and Imposing Remedial Sanctions and a Cease-and-Desist order on NBCS.

The settlement stems from NBCS's voluntary participation in the SEC's initiative and relates to the adequacy of NBCS's disclosure of receipt of 12b-1 fees\* and selection of share classes that paid those fees. Under the settlement, NBCS agreed to (a) cease and desist from committing or causing violations and any future violations of Sections 206(2) and 207 of the Investment Advisers Act of 1940; (b) a censure; (c) pay disgorgement and prejudgment interest to affected investors totaling \$393,491.51 plus interest of \$32,628.32.

The settlement does not include any administrative penalty in recognition of NBCS's voluntary participation in the SEC's initiative.

\*12b-1 fees are marketing and distribution fees on mutual funds, considered part of a mutual fund's operational expenses.

Individual FA disciplinary information, conflicts of interest, and educational and business background are included in Brochure Supplement ADV Part 2B ("FA Brochure"). The FA Brochure must be delivered to the Client either before or at the time that the FA begins to provide investment advice to the Client.

#### **Item 10 - Other Financial Industry Activities and Affiliations**

The principal executive officers, directors, and other employees of NBCS are also registered representatives of NBCS. These individuals will be able to receive separate, yet customary commissions and other compensation resulting from executing securities transactions on behalf of clients, including the implementation of financial planning recommendations. Clients are under no obligation to use NBCS representatives for the implementation of financial planning recommendations and may choose another broker-dealer or investment advisor for any financial services recommended. NBCS representatives may receive separate and typical compensation for the execution of securities transactions.

While these individuals endeavor at all times to put the interest of the Clients first as part of NBCS's fiduciary duty, clients should be aware that the receipt of additional compensation itself creates a conflict of interest and may affect the judgment of these individuals when making recommendations.

NBCS's principal executive officers and associated persons spend as much as 80% of their time on the brokerage business of NBCS.

NBCS Asset Management is a division of NBC Securities, Inc. NBCS Asset Management offers proprietary portfolio management services as an Investment Manager in the ProAM Program.

NBCS is under common ownership with Financial Advisory Partners, LLC ("FAP"), an investment adviser registered with the Securities and Exchange Commission. NBCS and FAP are each owned by NBCS Holdings, LLC. Some financial professionals are dually registered with NBCS as Registered Representatives and Investment Advisor Representatives, or both. In these roles, they will receive advisory fees, brokerage compensation, or both, depending on the services provided through NBCS. Advisory fees charged by FAP are separate and distinct from any advisory or brokerage-related fees these individuals receive through NBCS. Fees earned through FAP are solely related to advisory services offered under FAPS's investment advisory programs. Clients who engage FAP will receive FAP's Form ADV 2A and will enter into a separate agreement describing the services provided and the associated fees.

#### **Item 11 - Code of Ethics**

NBCS' Code of Ethics, summarized below, is also available separately at the request of a client or prospective client:

NBC Securities, Inc. is committed towards ensuring that in our capacity as an investment adviser as well as a broker dealer we:

- Work in the best interests of our clients and not allow the personal interests of those of the organization to take precedence over the interest of our clients.
- Act with due skill, care, and diligence in conducting our business and all transactions and trading activities.
- Always protect client information.
- Respect the intellectual property rights of others.
- Prevent and/or fully disclose any perceived or real conflicts of interest.
- Preserve honesty, integrity, and trust in all communications with clients, employees, and shareholders.
- Prevent the use or dissemination of insider information and unsubstantiated rumors.
- Adopt procedures to supervise the activities of our representatives.

The NBCS Code of Ethics applies to all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. All supervised persons acknowledge the terms of the NBCS Code of Ethics annually, or as amended.

NBCS anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will cause accounts over which NBCS has management authority to effect and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which NBCS, its affiliates and/or clients, directly or indirectly, have a position of interest. NBCS employees and persons associated with NBCS are required to follow the Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors, and employees of NBCS and its affiliates may trade for their accounts in securities that are recommended to and/or purchased for NBCS' clients. NBCS and its associated persons may recommend or buy and sell securities for their accounts or for the accounts of other clients which differ from the securities recommended to other clients or actions taken in providing advisory services to other clients. It is the expressed policy of NBCS that no person employed by NBCS may purchase or sell any security before a transaction(s) being implemented for an advisory account, thereby preventing such employees from benefiting from transactions placed on behalf of advisory accounts.

As these situations, may represent a conflict of interest, NBCS has established the following restrictions to ensure its fiduciary responsibilities:

- 1) A director, officer, or employee of NBCS shall not buy or sell securities for their portfolio(s) where their decision is substantially derived, in whole or in part, because of his or her employment unless the information is also available to the investing public on reasonable inquiry. No person of NBCS shall prefer his or her interest to that of the advisory client.

- 2) All clients are fully informed that certain individuals may receive separate compensation when affecting transactions during the implementation process.
- 3) NBCS emphasizes the unrestricted right of the client to decline to implement any advice rendered by NBCS.
- 4) NBCS requires that all individuals act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
- 5) Any individual not in observance of the above may be subject to termination.

The NBCS Code of Ethics is designed to assure that the personal securities transactions, activities, and interests of the employees of NBCS will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their accounts. Under the Code, certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of NBCS' clients. In addition, the NBCS Code of Ethics requires pre-clearance of many transactions and restricts trading close to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is monitored every quarter under the Code of Ethics, and to reasonably prevent conflicts of interest between NBCS and its clients.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with NBCS' obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. NBCS will retain records of the trade order (specifying each participating account) and its allocation, which will be completed before the entry of the aggregated order. Completed trade orders will be allocated as specified in the initial trade order. Partially filled trade orders will be allocated on a pro-rata basis. Any exceptions will be explained on the trade order.

It is NBCS' policy that the firm will not affect any principal or agency cross-securities transactions for client accounts. NBCS will also not cross-trade between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as a broker for both the advisory client and for another person on the other side of the transaction. Agency cross-transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

NBCS' clients or prospective clients may request a copy of the NBCS Code of Ethics by calling (800) 521-9390.

## **Item 12 – Certain Potential Conflicts of Interest**

NBCS, in its capacity as a securities broker-dealer and investment adviser, is routinely engaged in various securities transactions and trading activities for various clients and customers which could create conflicts of interest among its other clients and customers. As a full-service broker/dealer, on an ongoing basis and as permitted by applicable law, NBCS may, when appropriate:

- Act as principal, buy securities from or sell securities to a client.
- Act as broker or agent, effect securities transactions for compensation for a client.
- Act as broker or agent for any person other than a client, affect transactions in which client securities are sold to or bought from a brokerage client.
- Recommend to clients that they buy or sell securities or investment products in which NBCS or a related person has some financial interest; or buy or sell for itself securities that it also recommends to clients.

NBCS may from time to time incur trade errors. In these instances, NBCS may profit from the error or may incur a loss. Regardless, the client transaction will not be affected.

NBCS has adopted and enforced internal policies and procedures concerning conflicts of interest between NBCS and its Clients. Under these policies and procedures, NBCS, when engaging in the activities enumerated above, treats client

orders fairly and does not give its own orders preference over client orders. Where required by applicable law or exchange rules, NBCS obtains the consent of affected Clients in advance of any transactions in which NBCS will be engaging in the activities referenced above. When NBCS engages in the activities referenced above, all statements and/or confirmations of such transactions contain the disclosures required by applicable law and exchange rules. Securities activities are monitored quarterly to detect and prevent NBCS employees from trading ahead of its Client Accounts.

Within an applicable IA Program, the Investment Manager must seek the best net price and execution on securities trades for Client Accounts. If NBCS sells a security to or buys a security from a Client from its inventory accounts, NBCS will use all reasonable efforts to ensure that the Client obtains the best net price and execution on the purchase or sale based on prevailing inter-dealer market prices. In some circumstances, the change in market price may result in a financial benefit to NBCS. NBCS and its affiliates may give advice and act in performing their duties to the Client that differ from the advice given, or the timing and nature of action taken, for IA Program Clients. During their respective investment banking activities or otherwise, NBCS and its affiliates may from time to time acquire material non-public or other information about corporations or other entities or their securities. NBCS and its affiliates are not obligated and may not be permitted to divulge any such information to or for the benefit of IA Program Clients, or otherwise act based on any such information in providing services to Clients. NBCS, its related persons, and affiliates may purchase for their own accounts securities that are recommended to IA Program Clients.

It is contemplated that Investment Managers in the ProAM Program will affect substantially all portfolio trades for ProAM Program Accounts with or through NBCS or RBC. This arrangement could create an incentive for NBCS to recommend Investment Managers with lower portfolio turnover rates. This arrangement may also create a financial incentive for Investment Managers to refrain from searching as actively among other securities broker-dealers for best execution.

From NBCS's perspective, depending on the fee level and the portfolio turnover rate in an account, the bundled compensation arrangement under the IA Program may provide more total compensation to NBCS than the combined compensation from the Client in an unbundled arrangement (that is if NBCS were paid separately for investment advisory services, brokerage, and other Account services). Therefore, NBCS has a financial incentive to recommend this IA Program over other suitable NBCS services and programs or to affect fewer portfolio transactions than it would affect under an alternative fee arrangement. Further, although NBCS is required to compare its own trading and execution capabilities with that of other broker-dealers, the fee arrangement under the IA Program may create an incentive for NBCS to refrain from searching as actively among other securities brokers and dealers for best execution. In addition, a portion of the IA Program Advisory Fees are paid to NBCS FAs. This compensation may be more than an FA would receive if a client participated in another available IA Program or paid separately for investment advice, brokerage, and other Account services. Therefore, FAs have a financial incentive to recommend an IA Program over other available services and investment programs.

NBCS Asset Management, a division of NBC Securities, Inc., may act as an Investment Manager in the ProAM Program. If a client selects NBCS Asset Management as Investment Manager, it should be considered the same as selecting NBCS as Investment Manager. In such cases, NBCS will receive compensation under the terms of the ProAM Program as an Investment Manager. The participation of NBCS as an Investment Manager in the ProAM Program creates an incentive for NBCS to recommend itself over a potentially more qualified and suitable non-affiliated Investment Manager.

NBCS receives payments from mutual fund companies, Investment Managers, and ETF companies. The firm uses this money for general marketing and educational programs, to offset compliance and product management costs, and to support client education, NBCS FA education, and other internal programs and educational seminars. In return for the payments, fund companies and Investment Managers are given access to NBCS branch offices to educate its employees and inform them about the available products. NBCS does not receive any extra commission for selling funds from these companies, nor does NBCS receive additional compensation by using a specific Investment Manager in one of NBCS' IA Programs. Each FA individually evaluates the mutual fund and Investment Manager and then works with the client to choose the appropriate investment for the client's individual financial needs. Mutual fund companies may make payments, which may be based on assets and/or sales volume, to NBCS via the fund's distributor, investment advisor, or other entity. These payments are generally made from the management fees they earn. NBCS receives a portion of the payments for distribution and servicing expenses related to shares of money market funds or bank—deposit programs included as sweep options for cash accounts. The payment formula is consistent for all these funds.

NBCS receives compensation in the form of interest sharing from RBC or other sweep option providers in exchange for assets under management in cash sweep accounts. This conflict creates an incentive for NBCS to recommend maintaining higher cash sweep option balances rather than investing in other products in which NBCS does not receive additional compensation.

When utilizing no-load mutual funds within an account, Clients will be paying the IA Program Fee on those shares, which could otherwise be purchased outside of the IA Program at no additional cost. Additionally, by investing in mutual funds within an IA Program account, management fees and other fees charged by a mutual fund company are not included as a part of the IA Program fees and could result in higher costs to the Client.

Mutual funds may provide for the payment of certain Rule 12b-1 and other similar asset-based charges (“**12b-1**” fee). Typically, all or a portion of the 12b-1 fee is paid by a mutual fund company to NBCS, as outlined in the applicable prospectus, potentially creating an incentive, and thus a conflict of interest, for NBCS or your NBCS FA to recommend a mutual fund that will pay a 12b-1 fee as opposed to one that does not. We address this conflict of interest by (1) only offering Advisor share class Mutual Fund positions for new purchase in an IA Program, and (2) crediting any 12b-1 fees that we receive related to a mutual fund held in an advisory account back to the Client Account in all IA Program Accounts.

Many mutual fund companies offer advisory, institutional, or other share classes that do not have a sales load or assess 12b-1 fees. Many mutual funds offer multiple classes of shares which are available based on various eligibility requirements as dictated by the fund company. NBCS will decide which share classes to offer in IA Programs based on such eligibility requirements, the availability of share classes under the distribution agreements available to NBCS through RBC CM, and other considerations. In most cases, we recommend the lowest expense ratio share class offered by the fund company and available through RBC CM in an IA Program, but in some cases, may choose to recommend a higher-cost share class. It should be noted that, in certain instances, certain share classes may not be available to us through RBC CM and there may be a cheaper alternative available to you should you qualify for it and purchase it elsewhere. NBCS has a potential conflict of interest in choosing higher expense ratio share classes where we receive 12b-1 fees or other payments from the mutual fund. We address this conflict of interest by crediting any 12b-1 fees that we receive related to a mutual fund held in an advisory account back to the Client Account in all IA Program Accounts.

Certain FAs may have an ownership interest in NBCS. Therefore, these FAs have an incentive to recommend that you purchase certain securities, products, and services that generate more revenue for NBCS. The FA also may have an incentive to recommend that you engage in such purchase and sale transactions more frequently as such transactions may increase the revenue of NBCS. The increase in NBCS’s revenue may increase the value of the FAs’ interest in NBCS.

NBCS is also an Investment Adviser registered under the Investment Advisers Act of 1940, as amended (“RIA”). The RIA offers several IA Programs for which it receives compensation that may vary by which IA Program the FA recommends. Therefore, the FA may be inclined to recommend the IA Program that pays more compensation to NBCS and the FA.

An officer or an employee of NBCS may serve on the board of directors of the company whose securities it recommends to Clients.

### **Item 13 - Brokerage Practices**

NBCS has the authority to select broker-dealers to execute portfolio transactions on the Client's behalf for the Client Account and to select the markets in which such transactions will be executed. Consistent with NBCS' duty to the client to seek and obtain best execution on securities transactions, most securities transactions will be effected with and through the RBC for most IA Program Accounts. NBCS considers it appropriate and necessary for the IA Programs described in this brochure to use the brokerage and execution services of RBC. In directing the use of RBC for most all IA Program transactions, Clients should recognize that NBCS may not be able to obtain best execution for all transactions.

Soft dollar benefits are not limited to those Clients who may have generated a particular benefit although certain soft dollar allocations are connected to particular Clients or groups of Clients.

Soft dollar benefits are not proportionally allocated to any Accounts that may generate different amounts of the soft dollar benefits.

#### **Item 14 - Review of Accounts**

The designated supervising principal or his/her designee also reviews all transactions within the Clients' accounts daily. APS Program Accounts are continuously managed by the NBCS FA assigned to the Account.

#### **Item 15 - Client Referrals and Other Compensation**

A portion of the fees or commission charged for the Advisory Services described herein may be paid to an FA in connection with the introduction of the Accounts as well as for providing Client-related services within the IA Program. NBCS may, in its sole discretion, advance a portion of the first year's estimated Program Fee to the FA.

NBCS may from time to time compensate, either directly or indirectly, any person (defined as a natural person or a company) for client referrals. NBCS is aware of the special considerations promulgated under Section 206 (4)-3 of the Investment Advisers Act of 1940. As such, appropriate disclosure shall be made, all written instruments will be maintained by NBCS and all applicable Federal and/or State laws will be observed. This compensation is generally in the form of a percentage of the fees described herein.

#### **Item 16 – Custody**

Clients will receive at least quarterly Account statements from RBC or another broker-dealer, bank, or other qualified custodian that holds and maintains Client investment assets. NBCS urges each Client to carefully review such statements and compare such official custodial records to the Account performance reports that NBCS may provide. Performance reports may vary from custodial Account statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

#### **Item 17 - Investment Discretion**

In certain circumstances, subject to the approval of NBCS management, NBCS will permit an FA to maintain trading discretion as to the identity and amount of securities to be purchased or sold ("Discretionary Trading Authority"). In such cases, NBCS usually receives Discretionary Trading Authority from the Client at the outset of an advisory relationship. In all cases, such discretion is to be exercised in a manner consistent with the stated investment objectives for the Client Account. A Client must sign the NBCS's Client Profile and Agreement and specifically authorize the Discretionary Trading Authority to grant an FA with actual Discretionary Trading Authority.

When selecting securities, and determining amounts to be invested, NBCS follows the investment policies, limitations, and restrictions of the Client for which it advises. For registered investment companies, NBCS' authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

Investment Managers in an IA Program have Discretionary Trading Authority and do not consult with NBCS, or with the Client before placing an investment transaction in an Account. Please refer to the IA Program agreement and Investment Manager ADV Part 2A Disclosure Document.

All Client investment guidelines and any investment restrictions must be provided to NBCS in writing.

#### **Item 18 - Voting Client Securities**

NBCS shall not vote proxies on behalf of the Account. Except as provided below, NBCS will forward all proxy solicitation and related materials, including annual and interim reports and any other issuer mailings that are received concerning the securities in an Account, to the Client to vote. To the extent that instructions regarding the voting of proxies are not received, and as permitted by law, NBCS will comply with the rules of the Financial Industry Regulatory Authority ("FINRA"), the New York Stock Exchange, Inc., and the SEC relating to such matters.

Unless required by applicable law, NBCS and the Investment Manager will not be obligated to render any advice to or

take any action on behalf of Client concerning legal proceedings, including bankruptcies or class actions, involving securities held or previously held in an Account or involving the issuers of such securities. The sole obligation of NBCS concerning any such legal proceeding is to forward to Client, or Client's designee, within a reasonable period, any materials or other information with respect to such legal proceedings received from the issuer or third parties.

Client may designate in the Client Agreement to have the selected Investment Manager receive proxy solicitations and to vote proxies on Client's behalf, subject to acceptance of these instructions by the Investment Manager. Alternatively, Client may give written instructions to NBCS to direct all proxy solicitations to an independent third party selected by Client to vote on Client's behalf. The identification and selection of an independent third party and payment of any additional costs associated with the voting of proxies shall be the express responsibility of the Client.

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**Item 19 - Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about a registered investment adviser's financial condition. NBCS has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to Clients and has not been the subject of a bankruptcy proceeding.