

## Item 1 – Cover Page

**XML FINANCIAL GROUP**

7600 Leesburg Pike, Suite 120 East  
Falls Church, VA 22043

[www.xmlfg.com](http://www.xmlfg.com)

Wrap Fee Programs:

Asset Advisor

Custom Choice

Customized Portfolios

FundSource<sup>®</sup>

Personalized Unified Managed Account - (Personalized UMA)

Private Investment Management (PIM)

Private Advisor Network (PAN)

**This brochure provides information about the qualifications and business practices of XML Financial, LLC doing business as “XML Financial Group” and “Collins Investment Group” (hereinafter “XML”, “we” or “Firm”). If you have any questions about the contents of this brochure, please contact the Firm at (301) 770-5234. 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.**

**XML is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. Additional information about XML is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You may retrieve information by searching for “XML Financial Group” or “Collins Investment Group”.**

## Item 2 – Material Changes

This section addresses material changes that were made to the brochure since the last annual update on March 31, 2021. It provides potential clients and current clients with a summary of such changes. Other ongoing disclosure information about material changes will be provided as necessary. A complete brochure will be provided based on significant changes and will be available upon request at any time, without charge. Pursuant to SEC rules, clients will receive a summary of material changes to this and subsequent brochures within 120 days of the close of XML's fiscal year end, which is December 31<sup>st</sup>.

- Provided notice of policy update regarding prospectus delivery for accounts managed with discretion such as FundSource, Personalized UMA accounts and PIM. *Refer to Item 4 - Services, Fees and Compensation.*
- Added Acknowledgment of Our Fiduciary Status with Respect to Retirement Accounts and material conflicts of interest per the Employee Retirement Income Security Act (“ERISA”) Prohibited Transaction Exemption (“PTE”) 2020-02. *Refer to Item 4 - Services, Fees and Compensation.*
- Revised Private Advisor Network (PAN) description to highlight billing. Unlike the other Wrap Programs, the third-party manager fee applies/bills their fee separately and is in addition to the Program Fee of the IAR. Therefore, your total expenses will likely be higher than other Wrap Programs that do not utilize a third-party manager. *Refer to Item 4 - Services, Fees and Compensation.*
- The regulatory environment in the financial services industry has evolved over the years and regulations have increased and added additional burdens to the Company and financial professionals. Due to some of these changes, we may defer not to make certain recommendations regarding complex products or products subject to undue risk. *Refer to Item 6 – Portfolio Manager Selection and Evaluation, Regulatory Restrictions.*
- Under Common Risks to Consider, added content related to Leveraged Exchange Traded Funds (“Leveraged ETFs”) and Structured Notes. *Refer to Item 6 – Portfolio Manager Selection and Evaluation, Regulatory Restrictions.*
- Updated Risks to include Unpredictable social media and Crowd Influence as a risk for individual investments and investment strategies *Refer to Item 6 – Portfolio Manager Selection and Evaluation, Risk of loss.*
- Added information related to arrangement with SmartAsset lead program. *Refer to Item 9 – Additional Information, Client Referrals and Other Compensation*
- Added description regarding an amendment to the affiliated broker-dealer's clearing agreement's Pricing Schedule A which was effective as of February 1, 2022. *Refer to Item 9 – Additional Information, Client Referrals and Other Compensation, Clearing Firm Transition & Extension*

## Item 3 - Table of Contents

Item 1 – Cover Page.....	1
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.....	20
Item 8 – Client Contact with Portfolio Managers.....	20
Item 9 – Additional Information.....	20
Disciplinary Information .....	20
Other Financial Industry Activities and Industry Affiliations.....	21
Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	22
Review of Accounts .....	25
Custody .....	25
Client Referrals and Other Compensation.....	27
Financial Information .....	31

# Wrap Fee Brochure

## Item 4 - Services, Fees and Compensation

XML was formed in September 2016. We offer portfolio management services, both on a discretionary and non-discretionary basis, financial planning, consulting, and retirement plan consulting advisory services. In September of 2021, we welcomed Robert “Bob” Collins and the team at Collins Investment Group, now a division of XML, based in Bethesda, Maryland.

As of December 31, 2020, the Firm managed \$960,000,000 in discretionary assets and \$312,000,000 in non-discretionary assets.

While this brochure generally describes the services of Wrap Fee Programs offered through XML, certain sections also discuss the activities of our non-advisory employees, officers, partners, directors (or other persons occupying a similar status or performing similar functions) and investment advisor representatives (“IARs”) who provide investment advisory services on XML’s behalf, together referred to as “Supervised Persons”. Certain sections also discuss the activities of the firm’s investment advisor representatives (“IARs”) who recommend and service Wrap Fee Programs as dually licensed financial professionals. These IARs offer investment advisory services on behalf of XML and brokerage products and services to both clients of XML and non-clients of XML through the affiliated broker-dealer, XML Securities, LLC (“BD”), member FINRA/SIPC, together (“we”, “our “and “us”). The terms "Client," "you," and "your" are used throughout this document to refer to the person(s) or organization(s) who engage us for the services described here.

### What is a wrap fee?

With a Wrap Fee Program, the client pays one annual asset-based fee, as opposed to an annual asset-based fee to the advisor and additional trading costs to the broker-dealer and custodian. The Wrap Fee is an annual asset-based fee which includes the compensation paid to XML, the IAR, performance reporting, billing of the Wrap Fee Program for XML and custodial transaction charges in accordance with the Wrap Fee Program Agreement (“Program Agreement”) and per the terms of engagement by XML and the BD – thus the “wrap” term as the fees are considered wrapped together into one annual asset-based management fee paid by the client. There are exclusions to what Wrap Fee covers such as Option execution costs, trades directed away from the Clearing Firm, account servicing fees, and other fees detailed in the respective Program Agreement. Refer to the *XML Securities, LLC Schedule of Client Fees* found in the Brokerage Account New Account Packet. A Wrap Fee is typically higher than other asset-based advisory fees for other forms of advisory services as the asset-based fee associated with a Wrap Fee Program will include most transaction costs and fees to a broker-dealer and custodian. However, depending on many factors, including the number of transactions, the cost of the Wrap Fee could be higher or lower than if you had paid for these services separately based on level of activity.

### Services

We sponsor several Wrap Fee Programs that are designed to help you meet your investment objective and goals. Asset Advisor, Custom Choice, Customized Portfolios, FundSource®, Personalized Unified Managed Account (“Personalized UMA”), Private Investment Management (“PIM”), and Private Advisor Network (“PAN”) are investment advisory Wrap Fee Programs offered through XML. Other XML advisory services include portfolio management services in a non-wrap fee structure, financial planning and consulting services, and retirement plan consulting. **A separate XML Form ADV Part 2A Brochure describes these other services and is available free of charge upon request by using the contact information on the cover page of this document.**

If you would like any of our materials in a larger font, request a hard copy be mailed to you, review verbally with someone other than your advisor or have any questions, please contact [info@xmlfg.com](mailto:info@xmlfg.com)

### ACKNOWLEDGMENT OF OUR FIDUCIARY STATUS WITH RESPECT TO RETIREMENT ACCOUNTS

The U.S. Department of Labor issued a rule pertaining to investment advice provided to retirement investors, called Improving Investment Advice for Workers & Retirees. The rule applies to retirement accounts governed by the Employee Retirement Income Security Act (“ERISA”) and/or the Internal Revenue Code (“Code”), including Individual Retirement

## Wrap Fee Brochure

Accounts (“IRA”) and Education Savings Account (“ESA”). Pursuant to the rule, we are providing the following acknowledgment:

When we provide “investment advice,” as defined under Title I of ERISA or the Code, to you regarding your retirement plan account, IRA, or ESA, we are fiduciaries within the meaning of ERISA and/or the Code. The way we make money creates some conflicts with your interests, so when we operate as a fiduciary for your retirement account(s) we operate under a special rule, PTE 2020-02, that requires us to act in your best interest and not put our interest ahead of yours. To the extent that particular communications to you or activities are considered “investment education” or otherwise non-fiduciary under ERISA, we are not a fiduciary in connection with such communications or activities.

The Department of Labor has published a guide titled Choosing the Right Person to Give You Investment Advice: Information for Investors in Retirement Plans and Individual Retirement Accounts, which can be found at <https://www.dol.gov/agencies/ebsa/about-ebsa/our-activities/resource-center/faqs/choosing-the-right-person-to-give-you-investment-advice>.

The Firm and Financial Professionals have an economic incentive to encourage investors to roll over assets into an IRA at the Firm. The Firm and investment professionals earn compensation if an investor rolls his/her employer plan or outside retirement assets to an IRA at the Firm. In contrast, if the investor leaves his/her assets in their existing plan or rolls the assets to a plan sponsored by their new employer, then the Firm and Financial Professional will likely not earn compensation. Investors are under no obligation to roll over employer plan assets to an IRA under the Firm. Therefore, we have a Conflict of Interest when we make a recommendation to:

- Move assets that we are not being compensated on to an account/service that we would be compensated on.
- Move assets from an account/service that we are being compensated on to an account/service that would generate higher compensation to us.
- Transfer assets from another firm to our firm.
- Roll over assets from a qualified retirement plan to an IRA at our firm.
- Engage our investment advisory consulting services regarding investing of retirement assets.

**Prior to initiating a rollover from a qualified plan to an Individual Retirement Account (IRA), XML encourages investors to read “Rollover Consideration” under Education and Notices on <https://www.xmlfg.com/resources/>.**

The BD is an introducing broker-dealer utilizing the custodial and clearing services of First Clearing, a trade name used by Wells Fargo Clearing Services, LLC, Member SIPC (“WFCS”), a registered broker-dealer and non-bank affiliate of Wells Fargo & Company (referred to hereinafter as the “Clearing Firm”). As an affiliate of the BD, XML can offer these Wrap Fee Programs. XML and the BD have an agreement with Wells Fargo Advisors (“WFA”), a trade name used by WFCS, pursuant to which WFA provides advisory and/or other services with respect to some of the Programs. WFA is a non-bank affiliate of Wells Fargo & Company (“Wells Fargo”). The BD and XML are not related to or affiliated with WFA or the Clearing Firm. The Clearing Firm is a “qualified custodian” as described by Rule 206(4)-2 of the Investment Advisers Act. Unless otherwise specified, the Clearing Firm will maintain custody of client assets in these Programs. The BD, XML, WFA and the Clearing Firm each reserves the right to reject and refrain from providing services to any client or with respect to any client account for any reason.

To render Program services, clients must enter into a written Program Features and Fee Schedule Agreement (“Program Agreement”) setting forth the relevant terms and conditions of the advisory relationship. The Program Agreement must be signed by the client, IAR and an XML principal. In the Program Agreement, the term “Introducing Firm” refers to XML and the utilization of its affiliated broker-dealer to provide brokerage, execution, and other services under that Agreement; references to “Introducing Firm” shall include such affiliated broker-dealer, where applicable. Regardless of which Program you select, you will retain the right to: (1) withdraw securities or cash; (2) vote on shareholder proposals of beneficially owned security issues, or delegate the authority to vote on shareholder proposals to another person; (3) be provided in a timely manner with a written confirmation or other notification of each securities transaction, and all other documents required by law to be provided to security holders; and (4) proceed directly as a security holder against the

## Wrap Fee Brochure

issuer of any security in your Account and not be obligated to join any person involved in the operation of the applicable Program, or any other client of the applicable Program, as a condition precedent to initiating such proceeding.

Program services encompass: exchange listed securities; over the counter and foreign securities; rights and warrants; corporate, municipal and U.S. Government debt securities; securities options; partnership interests involving real estate, oil and gas investments; real estate investment trusts ("REITS"), mortgage backed securities; certificates of deposit; commercial paper; exchange-traded fund shares; closed-end mutual funds shares; open-end mutual fund shares, including load-waived mutual funds, money market funds and, with respect to the PIM and Asset Advisor Programs, the ability to hold other types of securities and brokerage products.

As a minimum criterion for providing advisory services, the IAR must have satisfactory past business experience, plus the required industry examinations and jurisdiction registrations, as applicable. Unless they possess equivalent satisfactory portfolio management experience, IAR's serving as the PIM portfolio manager must attain our approval.

As the IARs are also broker agents with the BD as such, they can offer brokerage products and services. You should discuss with the IAR the anticipated trading activity, service level needs and type of investments when considering between a brokerage arrangement or fee-based Advisory and among the Wrap Programs themselves when assessing your total overall costs and needs. Programs typically assume an average level of trading activity. You would end up paying more in a Wrap Fee structure than in a brokerage-commission based account under certain circumstances, such as prolonged periods of inactivity or when holding illiquid investments. As common with financial institutions, we and the IAR reserve the right to reject to accept or continue to service an account without providing a reason.

As described herein in the section titled "Other Financial Industry Activities and Affiliations", XML offers a variety of advisory services. The individual advice given and actions taken in performing our duties to one client will typically differ from those taken with other clients and/or clients engaged in other XML or BD services. Additionally, there are times that we are limited in our ability to divulge or act upon certain information related to a specific security as a result of the BD or XML trading restrictions, which can be for a variety of reasons, or if an IAR is in possession of material non-public information related to a security.

### **Our Right to Terminate or Prohibit Service**

We reserve the right to terminate our services with a client (i.e. natural person, entity or associated person of an entity) should we discover or have a reasonable belief that he/she/it; is or attempting to conduct reckless activity; withholding material information; deceiving us; has provided misleading information; is conducting illegal activity; is using funds derived from illegal activity, including funds sourced from activity primarily associated with Federal Drug Enforcement Agency (DEA) controlled substances, from insurance fraud or tax evasion; is conducting activity we are unwilling or unable to support or which we do not have policies and procedures to address or are not properly licensed to conduct per FINRA or SEC rules and regulations or a respective state regulatory division; is causing an unreasonable or disproportionate burden on our firm resources; is creating a hostile or threatening environment for our employees or officers; or should we believe is violating The Anti-Money Laundering Act of 2020, or the U.S. PATRIOT Act.

### **Fees and Compensation**

A portion of the Wrap Fee will be paid to the servicing IAR in connection with providing investment advisory services. This compensation could be more or less than an IAR would receive if you paid separately for investment advisory services in a non-wrap fee structure.

The Programs described in this brochure apply a Program Fee on Eligible Program Assets that covers our advisory, services, most trading execution, custodial transactions, and reporting services. XML currently does not implement a firm wide Wrap Fee schedule. However, default Program fees are indicated on the Program Agreements, but are negotiable. For transactions in Excluded Assets, you will pay all usual and customary brokerage commissions, transaction fees and other charges. Excluded Assets are not included in the calculation of the Program Fee. Commissions and fees on Excluded Assets and other charges will be assessed against your Account on or about the transaction date or another date when assessed by us or the Clearing Firm. Refer to the Program Agreement for details on fee exclusions, calculations, refunds and other information.

## Wrap Fee Brochure

The IAR's themselves must structure the servicing of clients for efficiency and in accordance to their professional capabilities. The IAR considers many factors when recommending the Program Fee including: the amount of household assets under management, projected assets, the complexity of the investments, expenses applied that are not covered by the Program agreement, number of household accounts, account investment objective, anticipated transaction level, account position composition, pre-existing/legacy client relationship, account retention and special considerations for non-profit or charitable organizations, relationship interactions, financial and retirement planning and consulting considerations, and the anticipated service demand by XML. The IAR's are professionals who are compensated for their advisory experience, guidance, knowledge, professional management services and the implementation of those recommendations and service requests. This includes services and recommendations that do not result in action taken. As an example, an annual investment review resulting in no recommended changes still required the time and work of the IAR.

Clients will pay different Program Fees across the firm and by the servicing IAR. Although we want all our clients to make money and reach their goals, much of the nature of investing is out of our control, we cannot predict the future, market conditions and performance will vary, and the Program Fee will be applied regardless if you make or lose money. Many of the IARs work independently from one another. They have their own style of service and their investment approach may differ from opinions expressed by the firm or other IARs. The Program Fee is asset based on a declining scale. This is a common approach in the industry, meaning the higher the assets, the lower the fee percentage, and vice versa, the lower the assets, the higher the fee percentage. For example, a household with assets over \$2 million will likely pay a lower fee percentage than an account with \$50,000. IARs usually offer their immediate family or related accounts a lower or no-fee option or choose to cover the Program costs themselves.

When discussing fees and our compensation, and the associated conflicts, we feel it is important for you to understand our costs and expenses and those related conflicts. Through XML's relationship with the affiliated BD, XML is charged a Platform Fee to utilize the services of the BD and the Clearing Firm's Advisory Program Platform. The Platform Fee supports the administrative services provided to us by the BD and Clearing Firm to maintain and operate the Programs. This Platform Fee expense pays for the billing of your Program accounts, the processing of our account instructions, performance reporting made available to you and us, and a limited amount of trading costs for trades in the Programs. Asset Advisor, CustomChoice and PIM, allow an allotted number of trades for us per year. This is an expense to us and the IAR, Expenses for the Platform are negotiated by the BD with the Clearing Firm. The Platform Expenses are structure as a basis point percentage of the Program Fee. It is a tiered, sliding schedule applied to the first \$100k, \$101k-\$250k, \$251k-\$500k, \$500k-\$1mm and \$1mm plus. For example, the expense applied to us is a basis point percentage on the first \$100,000, and a reduced percentage on the next \$101,000-250,000 and so on. NOTE: Clients who have legacy accounts or transferred to XML as a result of a merger or new advisor joining XML may be granted an exception to this fee schedule.

The Clearing Firm expenses not covered in the Program, are generally deducted from the IAR's gross compensation unless there is an arrangement between the IAR and XML to cover such expenses. These expenses include, directing trades other than through the Clearing Firm, foreign receive and delivery fees for foreign securities, trade corrections, and clearing and execution costs over the allotted number of trades. This creates a conflict for the IAR as their compensation will be reduced by the expenses applied to them and thus have an incentive not to engage in the actions that would trigger these expenses. Please discuss with the IAR if you would like to trade, foreign securities or foresee a higher level of trading over the allotted amount per year. The allotment includes both solicited and unsolicited trades, so your trade requests will apply to this count.

The IAR is assessed a monthly expense for Program accounts with values below \$50,000. This creates a conflict as the IAR's expense to maintain these accounts will be higher, thus the Program Fee recommended would need to factor this expense. For account balances below \$50,000, please discuss the options available with your IAR.

Program Fees are calculated on Eligible Assets, the billable asset value and fee calculation methodology is detailed in the Program Agreement. The Program Fee does not cover the internal expenses of the investments themselves such as: the internal expenses found with exchange traded funds (ETFs), closed-end funds or open-end mutual funds held in the account. It also does not cover some trading fees when portfolio manager are selling currently held securities to prepare an account for entry into their investment model, customary custodial account and service charges. These are born by the investor and are in addition to the Wrap Fee. Refer to the Program Features and Fee Schedule of your Program Agreement for more details regarding fee calculations and costs not covered by the Program Fee. **Please refer to the**

### **custodial brokerage account Client Agreement which includes a Schedule of Client Fees for account related terms, charges and service fees.**

The initial Program fee is calculated as of the date that the account is accepted into the Program and covers the remainder of the calendar quarter on a prorated basis. There is usually a short delay between inception and initial transactions. Subsequent fees will be determined for calendar quarter periods and shall be calculated per the Program Agreement. For clarity, the Program fee is assessed on cash and cash equivalents and on accrued but unpaid interest, and also on margin or other borrowing balances as included in the market value on which fees are assessed.

No fee adjustment will be made during any fee period for appreciation or depreciation in the value of the assets in your account during that period. Your account will be charged or refunded a prorated quarterly fee on net additions or net withdrawals in the account during a month if the net addition or net withdrawal would generate a fee or refund of at least \$40 for that quarter. Fees will be assessed in the month following the net addition or net withdrawal. XML shall not be compensated on the basis of a share of capital gains upon or capital appreciation of the funds or any portion of your funds. When there is a change to the Wrap Fee, the request must be made in writing and accepted by XML. The Wrap Fee previously in effect shall continue until the next billing cycle effective date.

The typical account fee range for each Program is set forth below. If a minimum quarterly fee is applied, it will be detailed in the Program Agreement.

### **Annual Program Fee**

#### **I. Asset Advisor**

Asset Advisor is a non-discretionary, client-directed investment advisory program. While the IAR serves as the portfolio manager, the client ultimately makes the investment decisions regarding what to buy, sell and hold within the account. Allowable assets include; Stocks, Bonds, Cash Alternatives, Mutual Funds, ETPs, ADRs, CDs, Options, Rights and Warrants, Advisory UITs, Advisory Alternative Investments, and thousands of No-Load, Load Waived, Fee Based and Institutional Share Class Mutual Funds. The annual Program Fee, which is negotiable, typically ranges from 1.00 – 1.75%.

#### **II. Custom Choice**

Custom Choice is a non-discretionary client-directed mutual fund wrap program. The Program is designed to help you allocate your assets among thousands of No-Load, Load Waived, Fee Based and Institutional Share Class Mutual Funds in accordance with your individual investment objective. Allocation can be constructed from a broad universe of institutional share class, no-load and load-waived mutual funds. The annual Program Fee, which is negotiable, typically ranges from 1.00 - 1.75%.

#### **III. Customized Portfolios**

Under the Customized Portfolios Program, we will assist you in selecting a separate account management (“SMA”) style offering three types of investment approaches managed through Wells Fargo Bank, N.A. (“WFB”) or Wells Fargo Investment Institute, Inc. (“WFII”), including fixed income portfolios (“the Bank Managed Portfolios”) and the option portfolios (“WFII Managed Portfolios”). The *Fixed Income Strategies Team (“FIST”) Portfolios* is a SMA program managed by WFII fixed income specialists for clients looking for personalized fixed-income portfolios. The *Custom Option Strategy* provides the potential for additional cash flow or risk management through covered call, protective put and collar strategies on existing stock positions. Designed to be tailored to the unique needs of the client and the stocks they own. Managed by WFII. The *Short-Term Asset Management (“STAM”) Portfolios* is a SMA program managed by WFB fixed income specialists for clients looking for personalized fixed-income portfolios. **Please refer to the WFA SMA Wrap Fee Brochure for more information and specific details regarding this Program.** The annual Program Fee, which is negotiable, typically ranges from 1.50 - 2.50%. Note: This Program has a higher platform expense applied to XML than all the other Programs. The third-party manager fee is also deducted from the Program Fee and therefore the Program Fee applied for this Program will likely be higher than the Program Fees that would be applied for other Programs that do not utilize a third-party manager. This creates a conflict as the IAR will receive a lower percentage of the Program Fee than they would with an other Program.

#### IV. FundSource®

This is a discretionary mutual fund advisory program with portfolios constructed of load-waived, no-load and institutional share class mutual funds. IARs can also create a tailored allocation for clients using the WFII's recommended funds in FundSource Customized Blends. The Optimal Blend and Customized Blends offer automatic fund replacement as well as auto-rebalancing. **Please see the Program Wrap Fee Brochure for a description of the services and information applicable to this Program.** The annual Program Fee, which is negotiable, ranges from 1.00 – 1.50%.

#### V. Personalized Unified Managed Account - (Personalized UMA)

This offers a broad selection of one or more SMA programs, and/or a combination of mutual funds and ETFs – all in one account. A single or Multi strategy is available under one Program Agreement. The Personalized UMA programs can utilize a third-party manager based on strategy(ies) selected. **Please refer to the separate Brochure for more information and specific details regarding the Program selected.** The annual Program Fee, which is negotiable, typically ranges from 1.00 - 1.90%. The third-party manager fee is deducted from the Program Fee and therefore will likely be higher than the Program Fee applied for Programs that do not utilize a third-party manager. This creates a conflict as the IAR will receive a lower percentage of the Program Fee than they would with the other Programs that do not pay a third-party manager fee.

#### VI. Private Investment Management (PIM®)

PIM is a discretionary program where the IAR serves as the portfolio manager. PIM is offered to financial advisors with prior portfolio management experience and allows them to determine the asset allocation and securities selection in conjunction with the client's account objective. IAR's may incorporate the use of model portfolios and the use of rebalancing techniques. PIM is designed to give the IAR flexibility in developing an investment management program suitable for a diverse mix of clients. Allowable securities include stocks, bonds, cash, Program eligible mutual funds, ETFs, CEFs, fee based UITs, CDs and covered options. Program eligible mutual funds include, at any given time, asset allocation funds, alternative strategy mutual funds or other select funds that utilize derivatives, short-selling, leverage and other strategies to meet stated investment objectives, enhance diversification, hedge risks, accentuate returns or facilitate certain market exposures or more dynamic allocation changes. Individual PIM Portfolio Managers develop specific investment strategies using a mix of these analytic methods. They also establish quality and concentration requirements to provide overall discipline. Such strategies ordinarily include long and short-term securities purchases and, depending on your objectives and the IAR's investment philosophy, supplemental covered option writing. In special circumstances, the strategies also include margin transactions, other option strategies and trading or short sale transactions. The standard PIM fee schedule is based on program eligible assets. The annual Program Fee, which is negotiable, typically ranges from 1.00-2.50%.

#### VII. Private Advisor Network (PAN)

Private Advisor Network is designed to give our clients direct access to professional money managers and their investment services. Each account is managed separately and distinctly, not as part of a pooled fund. This is a dual contract program in which the client signs an agreement with FCCS and the money manager. **Please refer to the applicable managers separate disclosure brochure. Unlike the other Wrap Programs, the third-party manager fee applies/bills their fee separately and is in addition to the Program Fee of the IAR. Therefore, your total expenses will likely be higher than other Wrap Programs that do not utilize a third-party manager.** This creates a conflict as the IAR will likely receive a lower Program Fee than they would with other Programs if they were the portfolio manager. The annual Program Fee, which is negotiable, typically ranges from 1.00-1.50%. Refer to the respective manager's disclosure document and management agreement for service and fee details.

#### Prospectus Delivery

For Programs that use a manager with discretionary authority and are responsible for the day-to-day management of the account prospectuses for funds registered under the Investment Company Act of 1940 will be delivered to that respective manager instead of the accountholder directly. Accountholders may request a prospectus by emailing a request to [info@xmlfg.com](mailto:info@xmlfg.com).

## Other Fees

### **Account Fees**

The Program Fee does not include customary account and custodial service fees such as the annual IRA fee, inactive account fee, fee for checks, wire fees, insufficient funds fee, foreign financial transaction taxes when applicable, other fees required by law and other account activity fee. **Please refer to the brokerage account Client Agreement and the included XML Securities Schedule of Client Fees.**

### **Use of Money Market Funds**

Cash balances in your account could be invested in money market mutual funds. As a shareholder of a money market fund, you will bear a proportionate share of the money market fund's expenses, in addition to the Program Fee. In a low interest rate environment, the yield that you earn on cash and cash alternatives, including cash sweep funds, CDs and money market funds may not offset advisory fees. In some instances, the effective yield of the investment could in fact be negative. ***Refer to the Cash Sweep information within this document under "Client Referrals and Other Compensation".***

If you invest in foreign stocks or American depository receipts ("ADR"), you are typically subject to foreign tax withholding on the dividends paid or interest earned. An ADR represents underlying shares of a foreign corporation which are held and issued by a U.S. bank. While ADRs are traded on U.S. markets, the income and tax withholding are subject to the rules and regulation of the foreign tax authorities with jurisdiction over the underlying corporation. When dividends or interest is paid to investors on foreign securities, the tax authorities for that country require the payor to withhold taxes for certain foreign investors. This can negatively impact the rate of return on your investment. In some instances, U.S. clients are eligible to reclaim a portion of foreign taxes that are withheld and/or receive a preferential foreign tax rate on foreign securities by filing specific tax forms seeking such relief. We are neither legal nor tax professionals. Please consult your tax advisor for specific information on foreign tax withholding, your eligibility to reclaim a portion of taxes withheld and/or receiving a preferential foreign tax rate and the costs associated with these filings.

You will incur any usual and customary brokerage charge and fee imposed on transactions in Excluded Assets which can include (i) odd lot differentials and transfer taxes; (ii) charges imposed by broker-dealers and custodians other than the BD or the Clearing Firm; (iii) offering discounts, commissions and related fees in connection with underwritten public offerings of securities; (iv) margin interest and operational fees and charges; (v) IRA fees; and (vi) any redemption fees, exchange fees and or similar fees (among which SEC fees are included) imposed in connection with mutual fund transactions. The BD and the IAR are eligible to receive the commissions and sales charges regarding the securities deemed Excluded Assets.

### **Costs of Investments - Mutual Funds**

In addition to the Program Fee, as a shareholder of an open-end mutual fund, closed-end fund or exchange traded fund ("ETF"), you will bear a proportionate share of the fund's investment management fees and expenses. Mutual fund fees and expenses, including asset-based sales charges known as "12b-1 fees," vary based on the share class that is offered. Open-end mutual funds in an advisory share class have lower annual expenses than share classes that pay a sales load. Clients who purchase open-end mutual funds in other types of accounts, such as a brokerage account, typically purchase a commission share class that imposes a higher Annual Operating Expense structure, including 12b-1 fees or sales load. As a result, some clients are able to purchase a lower expense ratio advisory or institutional share class, while others must purchase a non-advisory/brokerage share class. The types of mutual funds available for purchase is dependent upon the respective relationship the Clearing Firm has with the fund company and any restrictions or minimums imposed. **For more information about the respective share class offerings and the fee and expense structure, please refer to the fund's most recently published prospectus which are publicly available and provided on trade confirmations.**

You should be aware that you likely would be able to invest in money market funds, mutual funds or ETFs in a brokerage capacity via a brokerage account at the Clearing Firm or directly with a fund company that the BD has a selling agreement with without incurring the annual Program fee. If you do, however, you will not receive the Program services provided under the Program agreement in an advisor capacity. Mutual funds impose a sales load on direct

investments. You will receive a prospectus for each fund purchased, as required by securities regulations. In addition, certain institutional investors can directly purchase shares of certain funds that do not charge shareholder services, sub-accounting or other related fees.

When the IAR is serving as the portfolio manager, it is a common practice to utilize the Advisory Share Class Finder Tool to determine the eligible share class with the lowest expense ratio allowable by the custodian, fund company and Program guidelines. Such share classes are referred to as “institutional” or “advisory” (“advisory share class”). When an advisory share class with a lower expense ratio is made available to the Program, existing advisory share class positions will automatically convert at a designated time to the lower expense ratio share class. During the conversion process, usually 5 – 7 business days, trading will not be allowed in the affected positions. However, non-advisory share class holdings transferring into an account will need to be reviewed and manually converted from Excluded Assets to Eligible Assets and included in the Program fee calculation. For example: when converting an A share, the client is not eligible to convert shares if they have paid a sales load in the past 13 months. If converting a C share, any Contingent Deferred Sales Charge (CDSC) period must have expired before the request can be affected. Talk with your IAR regarding the analysis of converting an open-end mutual fund share class and how this could be beneficial to you. There are considerations other than costs and it is important to discuss the unique needs of your account such as timing of distributions and liquidity needs.

Fund companies have minimum dollar investment levels that certain managers are eligible for in separately managed accounts. In other types of accounts, such as a brokerage and fee-based programs managed or sponsored by a third party, other share classes are used and will have varying fees, expenses and sales charges as offered by the fund companies and allowed for in the account.

### **Account Termination**

Your account agreement can be terminated by either party at any time upon written notice. If you terminate your Agreement, you will receive a pro rata refund of the Program fee. You have the right, within five (5) days of execution, to terminate the Client Agreement without penalty. In the event of cancellation of a Client Agreement, fees previously paid pursuant to the fee schedule will be refunded on a pro rata basis, as of the date notice of such cancellation is received by the non-canceling party, less reasonable start-up costs.

If you choose to terminate your agreement with any Program, the portfolio manager or IAR can liquidate your account if instructed to do so. It is typically favorable to the client to execute trades covered by the Program transaction allotment prior to the effective date of the Program Termination. If so instructed, the portfolio manager or IAR will liquidate your account in an orderly and efficient manner. Once the Program is terminated however, the account will default to a brokerage account relationship and transaction charges will apply. You should be aware that certain mutual funds impose redemption fees as stated in their fund prospectus. You should also keep in mind that the decision to liquidate security issues or mutual funds may result in tax consequences that should be discussed with your tax advisor beforehand.

We will not be responsible for market fluctuations in your account from the time of notice until complete liquidation. All efforts will be made to process the termination in an efficient and timely manner. Factors that affect the orderly and efficient liquidation of an account might be size and types of issues, liquidity of the markets, and market makers' abilities. Should the necessary securities' markets be unavailable, and trading suspended, efforts to trade will be done as soon as possible following their reopening. Due to the administrative processing time needed to terminate an advisory account, termination orders cannot be considered market orders. It usually takes several business days under normal market conditions to process your request.

If a program account is terminated, but you maintain a brokerage account with us, the money market fund used in a “sweep” arrangement will be changed and/or your shares will be exchanged for shares of another series of the same fund. You will bear a proportionate share of the money market fund's fees and expenses. You are subject to the customary brokerage charges for any securities positions sold in your account after the termination of program services.

### **Additional Information - Compensation Structure**

IARs are compensated based on a tiered firm level pay out on a net percentage basis of both their XML advisory compensation and their compensation earned through the BD, including in their capacity as an insurance agent. As their revenue increases so does their percentage payout tier. The IARs are able to provide securities brokerage products and

## Wrap Fee Brochure

services under separate commission-based arrangements in their capacity as a broker agent of the BD. IARs who are also insurance producers, are able to offer insurance products in their capacity through the BD. This compensation is separate and in addition to compensation they receive for performing advisory service under XML and brokerage sales and services through the BD. **Refer to the IAR’s 2B Supplement Item 4 Outside Business and Item 5 Additional Compensation for more information which is located on <https://www.xmlfg.com/our-team>.** This creates a conflict as they could be incentivized to increase their compensation for their financial gain. As an IAR approaches the next level tier in their payout grid, this could create an incentive for them to generate additional revenue. We mitigate this by having a heightened supervision system in place for IAR’s who are within ten (10) percent of reaching their next tier compensation level. Please talk with the IAR about their recommendations and to ask them about their compensation and how it could be affected by you engaging their advisory service and other services.

On the account level, XML and the IAR servicing your Program receive a percentage of the Program Fee. As previously mentioned, the higher the Eligible Assets the lower the Platform expense that is applied. This creates a conflict as there is an incentive for the IAR to consolidate Eligible Assets into one account to lower their Platform expense. This is mitigated in that if a collection of accounts of owners related to one another can be aggregated, into what is termed a household, and that meets certain waiver criteria, the account owner(s) are eligible to receive a waiver for certain custodial annual fees: Investment Account, Uniform Gifts To Minors Act (“UGMA”) account, Advantage Account and custodian IRA annual fees.

### Item 5 – Account Requirements and Types of Clients

XML offers Program services to retail investors. Per the definition of Form ADV, Part 3 Form CRS, retail investors are a natural person, or the legal representative of such natural person, who seeks to receive or receives services primarily for personal, family or household purposes. This includes individuals, including high net worth individuals, trusts and estates. We also provide Program services to corporations, business entities, associations, charitable organizations, and trusts and estates not considered retail investors, as mentioned above. Based on our service model and infrastructure, we feel that investors who wish to regularly direct trades, such as on a daily or weekly basis, may not be best suited for discretionary portfolio management services. Likewise, investors with high cashflow demands that create a frequent and constant inflow and outflow of funds, place a disproportional higher operational burden on our operations and can inhibit us from providing the portfolio management services to the best of our ability.

XML does not establish a minimum asset requirement for a Program. However, the Clearing Firm and respective third-party managers have set recommended minimum accounts sizes. The Clearing Firm, IAR and third-party manager have the right to decline to accept an account or an account below the minimum. Each custodian has Program value thresholds that trigger additional or higher fees for low account balances or inactive accounts.

Program Name	Minimum Account Size
<b>Personalized UMA- Multi Strategy</b>	
Optimal Blend	\$200,000 or portfolio minimum
Custom Blend	\$10,000 subject to investment minimum
<b>Personalized UMA Single Strategy</b>	
SMA, CAAP Plus and Tactical ETF & Customized Portfolios Equity strategies	\$50,000
Allocation Advisors strategies - ESG Aware, Tactical Active/Passive and Intuitive Investor ETF	\$10,000
Allocation Advisors strategies - Strategic ETF, Active/Passive, Morningstar Strategic ETF, Morningstar ETF, Laffer Global and Laffer Dynamic U.S. Inflation	\$25,000
Compass Asset Allocation strategies – all but aggressive growth	\$250,000
Compass Asset Allocation strategies – aggressive growth	\$150,000
Customized Portfolios Equity strategies	\$50,000

FundSource Optimal Blend	\$25,000
FundSource Foundations Optimal Blend	\$10,000
FundSource Offshore SEI Optimal Blend	\$25,000
<b>Private Advisor Network (PAN) - subject to Manager's minimum</b>	\$100,000
<b>Private Investment Management (PIM)</b>	\$50,000
<b>Customized Portfolios</b>	
Taxable Fixed Income & Tax-exempt	\$2,000,000
Short term asset management & Option Premium Income	\$5,000,000
Custom Option Portfolio	\$250,000
<b>Asset Advisor</b>	\$25,000
<b>Custom Choice</b>	\$25,000

*Under certain circumstances the minimum initial investment required to participate in a Program may be waived.*

## Item 6 – Portfolio Manager Selection and Evaluation

Through the Clearing Firm's expansive platform, program offerings, operational resources and portfolio management resources we feel these Programs enable us to offer portfolio management services to meet our client's needs, our business model, firm infrastructure and fiduciary obligations. The resources and operational support of the Clearing Firm, suite of Programs, research and due diligence capabilities and product and manager offerings are extensive.

Your IAR will need to assess your needs as discussed herein to make a Program(s) recommendation. There are numerous and evolving conditions and aspects to the Programs as well as outside influences such as market conditions, new industry products and other material factors. The conflict associated with the IAR's compensation between one Program from another is mitigated in that his/her expense is consistent across all Programs with the exception of the Customized Portfolios, as noted above and is a unique Program with high minimum account sizes. The IAR's evaluation involves all or a combination of utilizing reputable third-party research reports and rating services (such as Morningstar), available research and publications about the managers, performance history, portfolio holdings, investment philosophy, commentary provided by the manager, the IAR's own experience and other resources to support the IAR's comfort level with the Program. We utilize the due diligence of the outside managers participating in the respective Program regarding their investment professionals. However, even as we monitor the relationship, should the client's need change or the IAR begins to have concerns about a manager's ability, changes then will likely be recommended. While conditions, facts and circumstances that were known at the time lead to a change, and perhaps a new course of action or recommendation we cannot be held to the benefit of hindsight and ask our clients to respect the reality that of how decisions are made at a given point in time.

We prefer to perform semi-annual or at least annual reviews with clients to confirm the portfolios are in alignment with stated investment objectives. We ask that you be responsive to our requests to discuss your Programs and financial matters. We cannot perform our services to the best of our ability without your input, responding to our requests for transaction approvals, communicate material changes in your financial profile, or to provide material information that could reasonably impact our recommendations. During reviews, we can evaluate a portfolio's performance relative to its benchmark, your needs and if the account is meeting the investment objective. However, each IAR is a unique individual, and they are only able to provide services to the best of their ability, knowledge and experience. They each have their own strengths and weaknesses and their service levels will vary. Some IARs have the ability to manage advisory accounts on a discretionary basis, under the PIM Program and some IARs do not wish to offer this level of service. Clients also have the option to impose restrictions regarding the type of investments they wish to use and should bring these to the attention of their IAR in writing.

We utilize the performance reporting features available to us through the custodial portals. These reports are generated through report settings and default settings that enable only limited reporting parameter adjustments by the IAR. Performance information may not be calculated on a uniform and consistent basis. We also utilize popular, third-party

software for financial planning and to formulate some of our recommendations. We cannot verify the accuracy or compliance standards for all third-party reporting programs, as much of the functionality is out of our control.

### **Non-Discretionary Service Limitation**

When you utilize a non-discretionary, client-directed Program you must be willing to accept that the IAR cannot effect account transactions without obtaining your verbal or written consent. Thus, in the event of a significant, time sensitive market occurrence, should you be unavailable, the IAR will be unable to effect account transactions (as they would be authorized to do so for an account which they have discretionary trading authority).

### **Regulatory Restrictions**

The regulations in the financial services industry continually change and evolve. What was once an acceptable practice, strategy or product, could later be deemed unacceptable by regulatory bodies. Due to these changes, we will be restricted in the type of advice we can provide, recommendations that we can make or the products we can use, either from a clear regulatory condition or because that practice is deemed high risk due to the operational structure of our Firm or our resources. There are also restrictions regarding the type of products we will recommend in certain types of accounts, certain products we are not registered to offer, or specific securities that are restricted due to Executive Orders or by FinCen. Please discuss what type of restrictions, if any, affect your account or the service we provide. Regulatory bodies also have conveyed certain expectations regarding the type of products or share classes which should be used depending on account profile selections.

We are also held to a fiduciary standard of care. Investment strategies, product selections or courses of action that contradict what is generally considered in your best interest may require you to acknowledge that you are aware of the terms of the action and chose to move forward on your own accord.

### **Methods of Analysis**

Investing in securities involves risk of loss that you should be prepared to bear. IARs recommend Programs and create an investment plan based on the client's unique needs and circumstances. As part of this process, IARs consider several factors when recommending a Program and a respective third-party manager, if applicable. When the IAR is serving as the portfolio manager, they may develop model investment strategies or manage accounts separately, depending on the IAR's servicing structure. They analyze specific securities, categories, products or types of investment vehicles. IARs are able to conduct their analysis independently and based on their unique expertise, knowledge, experience and style. Generally, methods of analysis include: review of Program materials and manager reports, industry research reports, subscription ranking and reporting services, public reports, costs of the investments to the account holder, materials provided by the investment company, discussions with product providers, personal experience and educational product sponsor and industry events.

### **Investment Strategies and Due Diligence**

Each IAR has his or her own area of expertise and individual management practices. In general, the more the IAR knows about you, the better job they can do. The Programs offer a variety of investment vehicles to address client needs. If there is interest in a product that is not offered through one of our custodians or a third-party sub-manager, the Investment Committee ("Committee") reviews the product or service. The Committee is comprised of members from Management, Operations, Accounting, Compliance and a selection of IARs. The Committee collaborates to conduct due diligence and to review product details to the best of their ability and knowledge, and then determine if it should be offered to clients and if so, if any restrictions should be applied. We typically do not engage the services of outside council or other third-party services when reviewing new products through the Committee. However, we prefer to use the research services of entities experienced in the due diligence process when available.

Regarding the Programs where the IAR serves as the portfolio manager, as the IAR is the one making the Program recommendation, they cannot conduct due diligence on themselves. Rather their actions and recommendation of the Program itself is held to the investment advisor fiduciary standard. In their capacity as a portfolio manager they have a conflict related to timing of trades. Front running or trading counter to client trades is a conflict. This could create an advantage, whereby an IAR could enter an order with the knowledge that a pending order that has not yet been entered

or executed and thus may affect the market price of the security in question for themselves or other related clients. To mitigate and manage this conflict, XML employs the following practice through a Code of Ethics, which sets forth certain minimum expectations for IARs trading in Programs. As detailed in this Code, IARs cannot engage in front running or trading to create an advantage on their behalf or of any other client or other person. We are committed to maintaining the highest standards of professional conduct and ethics in order to discharge our obligations to our clients, to protect our business reputation, and to avoid even the appearance of impropriety in our investment activities on behalf of clients. We have supervision controls in place to prevent and monitor this behavior such a trade monitoring system which alerts principals for discrepancies in pricing and block trading practices to average price a trade across multiple accounts. All access personnel, regardless of role, are expected to conduct the Firm's business in full compliance with both the letter and the spirit of the Code, and any other Firm policies and procedures applicable.

### **Performance Based Fee**

XML does not charge performance-based fees (fees based on a share of capital gains or capital appreciation of the assets of a client).

### **Voting Client Securities**

XML does not accept the authority to vote your respective securities proxies on your behalf. Investors receive proxies directly from the financial institutions. You may contact XML at the contact information on the cover of this brochure with questions about any such issuer solicitations.

### **Common Risks for Consideration**

Different types of investments involve varying degrees of risk. It should not be assumed that future performance of any specific investment or investment strategy, including the investments and/or investment strategies recommended by XML or an IAR, will be profitable or equal to any specific performance level. Below are common risks, but do not address all risks. Risks are evolving and will vary outside our control or foresight.

#### *Capital Risk*

Capital risk is one of the most basic, fundamental risks of investing; it is the risk that you may lose 100 percent of your money. All investments carry some form of risk and the loss of capital is generally a risk for any investment instrument.

#### *Credit Risk*

Credit risk can be a factor in situations where an investment's performance relies on a borrower's repayment of borrowed funds. With credit risk, a client can experience a loss or unfavorable performance if a borrower does not repay the borrowed funds as expected or required. Investment holdings that involve forms of indebtedness (i.e. borrowed funds) are subject to credit risk.

#### *COVID-19 Uncertainty*

In March 2020, the World Health Organization (WHO) declared COVID-19 a global pandemic. This pandemic event has resulted in significant business disruption and uncertainty in both global and U.S. markets. Business and consumer behavior have changed in response to state and federal orders and guidelines. What behaviors have changed for good and what are likely to revert to pre-pandemic norms is unknown. The world is still living in this pandemic and the effects of COVID are uncertain at this time both for the short-term and long-term outlook.

#### *Currency Risk*

Fluctuations in the value of the currency in which your investment is denominated may affect the value of your investment and thus, your investment may be worth more or less in the future. All currency is subject to swings in valuation and thus, regardless of the currency denomination of any particular investment owned, currency risk is a realistic risk measure. Currency risk is generally a much larger factor for investment instruments denominated in currencies other than the most widely used currencies (U.S. dollar, British pound, Euro, Japanese yen, etc.).

### *Economic Risk*

The prevailing economic environment is important to the health of all businesses. Some companies, however, are more sensitive to changes in the domestic or global economy than others. These types of companies are often referred to as cyclical businesses. Countries in which a large portion of businesses are in cyclical industries are thus also very economically sensitive and carry a higher amount of economic risk. If an investment is issued by a party located in a country that experiences wide swings from an economic standpoint or in situations where certain elements of an investment instrument are dependent on dealings in such countries, the investment instrument will generally be subject to a higher level of economic risk.

### *Financial Risk*

Financial risk is represented by internal disruptions within an investment or the issuer of an investment that can lead to unfavorable performance of the investment. Examples of financial risk can be found in cases like Lehman Brothers and Enron or many of the “dot com” companies that were caught up in a period of extraordinary market valuations that were not based on solid financial footings of the companies.

### *Higher Trading Costs*

For any investment or strategy that involves active or frequent trading, you may experience higher than usual transaction-related costs. Higher transaction-related costs can negatively affect overall investment performance.

### *Inflation Risk*

Inflation risk involves the concern that in the future, your investment or proceeds from your investment will not be worth what they are today. Throughout time, the prices of resources and end-user products generally increase and thus, the same general goods and products today will likely be more expensive in the future. The longer an investment is held, the greater the chance that the proceeds from that investment will be worth less in the future than what they are today. Said another way, a dollar tomorrow will likely get you less than what it can today.

### *Interest Rate Risk*

Certain investments involve the payment of a fixed or variable rate of interest to the investment holder. Once a client has acquired the rights to an investment that pays a particular rate (fixed or variable) of interest, changes in overall interest rates in the market could affect the value of the interest-paying investment(s) they hold. In general, changes in prevailing interest rates will have an inverse relationship to the value of existing, interest paying investments. In other words, as interest rates move up, the value of an instrument paying a particular rate (fixed or variable) of interest will go down. Likewise, the reverse is generally true as well.

### *Legal/Regulatory Risk*

Certain investments or the issuers of investments may be affected by changes in state or federal laws or in the prevailing regulatory framework under which the investment instrument or its issuer is regulated. Changes in the regulatory environment or tax laws can affect the performance of certain investments or issuers of those investments and thus, can have a negative impact on the overall performance of such investments.

### *Leveraged Exchange Traded Funds (“Leveraged ETFs”)*

Because the effects of leverage are compounded over time with leveraged ETFs, the long-term returns generated by these ETFs do not simply mirror the returns of the index or asset class they are designed to track. Periods of volatility can cause leveraged ETFs to severely underperform relative to the asset or index they track. Leveraged ETFs amplify daily returns and can help traders generate outsized returns and hedge against potential losses. A leveraged ETF's amplified daily returns can trigger steep losses in short periods of time, and a leveraged ETF can lose most or all of its value. Shares of leveraged ETFs are traded in the open market like a stock. Some leveraged ETFs are not heavily traded, meaning that your ability to buy or sell shares in a leveraged fund may be constrained. Investing in a leveraged ETF can confer indirect exposure to derivatives contracts. Because they utilize derivatives to boost returns, leveraged ETFs are less likely to closely track the underlying index or asset.

## Wrap Fee Brochure

### *Liquidity Risk*

Certain assets may not be readily converted into cash or may have a very limited market in which they trade. Thus, you may experience the risk that your investment or assets within your investment may not be able to be liquidated quickly, thus, extending the period of time by which you may receive the proceeds from your investment. Liquidity risk can also result in unfavorable pricing when exiting (i.e. not being able to quickly get out of an investment before the price drops significantly) a particular investment and therefore, can have a negative impact on investment returns.

### *Margin Risk*

- You can lose more funds than you deposit in a margin account. A decline in value of securities that are purchased on margin require you to provide additional funds to the custodian holding your margin account in order to avoid a forced sale of those securities or other securities in your account.
- The custodian holding your margin account can force the sale of securities in your margin account. If the equity in your account falls below the margin maintenance level required by law or below the custodian's "house" requirement, the custodian can sell the securities in your account to cover the margin deficiency. You will be responsible for any shortfall in the account after such sale.
- Securities can be sold without contacting you prior to sale. Some clients mistakenly believe they must be contacted before a margin call becomes valid and that securities in their accounts cannot be liquidated to meet the call unless they have been contacted ahead of time. Most firms will attempt to notify you of margin calls; however, they are not required to do so. Even if the custodian has contacted you to provide a specific date by which you can meet a margin call, the custodian can still take necessary steps to protect its financial interests, including immediately selling the securities without notice to you.
- Unless you promptly respond to a notice call and direct your IAR which security to sell, you are not entitled to choose which securities in your margin account are liquidated or sold to meet your margin call. Because the securities are used as collateral for the margin loan, the custodian of your account has the right to decide which securities to sell in order to protect its interests.
- The custodian can increase its "house" maintenance requirements at any time and is not required to provide you with advance, written notice. These changes in policy can take effect immediately and may result in the issuance of a margin maintenance call. Your failure to satisfy this call may cause a forced liquidation in your account.
- You are not entitled to an extension of time on a margin call. While an extension of time to meet margin requirements may be available to clients under certain conditions, a client does not have the right to the extension.
- **Refer to the Margin Disclosure Statement provided by the BD at <https://www.xmlfg.com/brokerage-services/>**

### *Market Risk*

The market value of an investment will fluctuate as a result of the occurrence of the natural economic forces of supply and demand on that investment, its particular industry or sector, or the market as a whole. Market risk may affect a single issuer, industry or sector of the economy or may affect the market as a whole. Market risk can affect any investment, or the underlying assets or other instruments held by or traded within that investment instrument.

### *Operational Risk*

Operational risk can be experienced when an issuer of an investment product is unable to carry out the business it has planned to execute. Operational risk can be experienced as a result of human failure, operational inefficiencies, system failures, or the failure of other processes critical to the business operations of the issuer or counter party to the investment.

### *Past Performance*

Charting and technical analysis are often used interchangeably. Technical analysis generally attempts to forecast an investment's future potential by analyzing its past performance and other related statistics. In particular, technical

analysis frequently involves an evaluation of historical pricing and volume of a particular security for the purpose of forecasting where future price and volume figures may go. As with any investment analysis method, technical analysis runs the risk of not knowing the future and thus, clients should realize that even the most diligent and thorough technical analysis cannot predict or guarantee the future performance of any particular investment instrument or issuer.

### *Strategy Risk*

There is no guarantee that the investment strategies discussed in this document will work under all market conditions and you should evaluate your ability to maintain any investment you are considering in light of your own investment time horizon. Investments are subject to risk, including possible loss of principal.

### *Structured Notes*

A structured note is a hybrid security. It combines the features of multiple different financial products into one. They combine bonds and additional investments to offer the features of both debt assets and investment assets. Structured notes aren't direct investments, but rather they're derivatives. This means they track the value of another product. The return on a structured note depends on the issuer repaying the underlying bond and paying a premium based on the linked asset. Despite their unique ability to combine safety with returns, structured notes have plenty of risk. Here are a few reasons to exercise caution with structured notes:

**Apparent Security** -The bond component of a structured note can make this product seem more secure than it actually is. The bond portion of many structured notes might guarantee only a portion of your money back. It might also guarantee just a base return if the rest of the investment goes well.

**Market Risk**- The derivative portion of structured notes are exposed to the risk of whatever market they are tied to. Your return comes entirely from investment performance. Your principal may be in the balance as well. All investment carries risk. Linking the note to more speculative or exotic products can magnify that risk significantly.

**Complexity** - commodity futures and foreign currency bundles can be extremely complex.

**Liquidity and Call Provisions** - Your money is locked up in a structured note until the bond matures. There may not be a market to resell a structured note. However, the bond issuer can include a call provision that recalls the structured note before maturity if it's losing money. You can then lose your money if the derivative portion performs poorly. If that derivative performs well, the issuer can recall the note before you are able to collect a return.

### *Investment-specific Risks*

There is no single type of investment instrument that one can predominantly recommend, however, please be mindful that all investments carry some form and degree of risk. Certain types of investments carry greater types and levels of risk than others and clients should make sure that they fully understand not only the investment product itself but also the inherent risk factors associated with such products.

### *Risks Related to Options*

- **Call Options.** The seller (writer) of a call option which is covered (i.e., the writer holds the underlying security) assumes the risk of a decline in the market price of the underlying security below the purchase price of the underlying security less the premium received, and gives up the opportunity for gain on the underlying security above the exercise price of the option. The seller of an uncovered call option assumes the risk of a theoretically unlimited increase in the market price of the underlying security above the exercise price of the option. The securities necessary to satisfy the exercise of an uncovered call option may be unavailable for purchase, except at much higher prices, thereby reducing or eliminating the value of the premium. Purchasing securities to cover the exercise of an uncovered call option can cause the price of the Securities to increase, thereby exacerbating the loss. The buyer of a call option assumes the risk of losing its entire premium investment in the call option.

- *Put Options.* The seller (writer) of a put option which is covered (i.e., the writer has a short position in the underlying security) assumes the risk of an increase in the market price of the underlying security above the sales price (in establishing the short position) of the underlying security plus the premium received, and gives up the opportunity for gain on the underlying security if the market price falls below the exercise price of the option. The seller of an uncovered put option assumes the risk of a decline in the market price of the underlying security below the exercise price of the option. The buyer of a put option assumes the risk of losing its entire investment in the put option.
- *Index or Index Options.* The value of an index or index option fluctuates with changes in the market values of the assets included in the index. Because the value of an index or index option depends upon movements in the level of the index rather than the price of a particular asset, whether the investor will realize appreciation or depreciation from the purchase or writing of options on indices depends upon movements in the level of instrument prices in the assets generally or, in the case of certain indices, in an industry or market segment, rather than movements in the price of particular assets.
- *Time Decay* - All options have some kind of time value factored into them, and typically the longer they have until expiration the higher that time value is. Therefore, options will always be losing some of their value as time goes on. Of course, this doesn't mean that they always go down in value, but time decay can negatively impact the value of any option that is held onto.
- *Liquidity* - Because there are so many different types of options, it's quite possible that any particular option might only be traded in very low volume. This can make it difficult to make the required trades at the right prices.

**[The Characteristics and Risks of Standardized Options](#) booklet and supplements are written and published by The Options Clearing Corporation and must be provided to an investor prior to buying or selling options contracts. This booklet explains the purposes and risks of options transactions. You are encouraged to learn more about options at <http://www.cboe.com>. The booklet and supplements are offered free of charge and are available by asking your IAR or contact us at [info@xmlfg.com](mailto:info@xmlfg.com). We encourage clients to read this booklet if they wish to use options. It would be nice to know that a consumer or client is reading this and has questions.**

### *Independent Managers*

XML reviews the use of certain Independent Managers on behalf of clients. The performance of those assets managed by Independent Managers will depend to a great extent on the Independent Managers' ability to successfully implement their investment strategies. XML is limited in the due diligence it can perform on Independent Managers and cannot verify the information provided by these managers.

### *Mutual Funds and ETFs*

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss. Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The Firm may invest in closed-end mutual funds where the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a closed-end mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the closed-end mutual fund's shares trading at a premium or discount to actual NAV. Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for index-based ETFs and potentially more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 20,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares. Mutual Funds and ETFs that

employ alternative strategies such as long/short investment management, or the management of leveraged positions through derivatives involve a higher risk of volatility and loss of principal. *Refer to the Leveraged ETF content above.*

### *Cybersecurity*

The Firm's computer systems, networks and devices used by us to carry out routine business operations employ a variety of protections designed to prevent damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons and security breaches. Despite the various protections utilized, systems, networks, or devices potentially can be breached. A client could be negatively impacted as a result of a cybersecurity breach. Cybersecurity breaches can include unauthorized access to systems, networks or devices; infection from computer viruses or other malicious software code; and attacks that shut down, disable, slow, or otherwise disrupt operations, business processes, or website access or functionality. Cybersecurity breaches cause disruptions and impact business operations, potentially resulting in financial losses to a client; impediments to trading; the inability by us and other service providers to transact business; violations of applicable privacy and other laws; regulatory fines, penalties, reputational damage, reimbursement or other compensation costs or additional compliance costs; as well as the inadvertent release of confidential information. Similar adverse consequences could result from cybersecurity breaches affecting issuers of securities in which a client invests, governmental and other regulatory authorities, exchange and other financial market operators, banks, brokers, dealers and other financial institutions or parties. In addition, substantial costs are incurred by these entities in order to prevent breaches in the first place.

### *Unpredictable Social Media and Crowd Influence*

There is a very real and unpredictable element that crowd decisions and coordinated efforts can have on specific investments or strategies. These unpredictable forces can have a significant effect on any one investment, causing the value to either increase or decrease sharply. A simple tweet or comment from a celebrity or influential figure can have an effect on the respective securities' pricing or can sway a public opinion of a company. The use of social media channels has shown to have the ability to amplify the opinions of a few and quickly spread those opinions, whether accurate or not, to the masses on a national and even global scale.

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

In order to serve our clients and conduct day-to-day services with product vendors, we need to share non-public personal information in the normal conduct of our business with affiliates and with companies not affiliated with us. Updated client information received by us is shared in a timely manner with outside vendors as necessary. These updates are often provided daily. We need to share a client's personal information in order to process transactions, maintain accounts(s), and offer our products and services. This sharing allows us to provide better and more complete financial advice and comply with legal and regulatory requirements. When we share information with companies not affiliated with us who are under contract to perform services on our behalf, such as vendors that conducting auditing services or provide services directly related to an account's relationship with us, our agreements with these companies require that they keep client information confidential and not use such information for any unrelated purpose or they have privacy policies that restrict how they use the information visible to them. We share non-public personal information if required to respond to court orders, regulatory inquiries, or legal investigations. Please refer to our privacy policy on <https://www.xmlfg.com/disclosures/>.

## **Item 8 – Client Contact with Portfolio Managers**

Your primary contact for information and consultation regarding your account(s) is your IAR. In certain instances, your IAR will coordinate a response with a third-party Portfolio Manager (if applicable) or arrange for you to consult directly with a third-party Portfolio Manager.

## **Item 9 – Additional Information**

### **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 or the integrity of adviser's management. XML has no information applicable to this Item.

### Other Financial Industry Activities and Industry Affiliations

#### **Broker/Dealer** (affiliated entity)

The BD is a fully disclosed, introducing broker-dealer. The IAR servicing your Programs are also registered with various states as a broker agent through the BD. Broker agents are only allowed to conduct securities transactions for residents of states in which they and the BD are registered or where an exemption from registration exists. Broker agents are eligible to receive transaction and trailing compensation in the form of commissions for effecting transactions in brokerage accounts, for conducting analysis in recommending commission-based products such as open-end mutual fund with share classes offering sales loads or 12b-1 fees, selling insurance-based securities products, and subscription-based investments.

IARs are prohibited from receiving brokerage commission compensation and investment advisory fee compensation on the same assets. The situation can occur when it would be advantageous for a client to hold a brokerage/commission position in a Program account, as allowed by the Program. The Asset Advisor and PIM Programs enable clients, as allowed by the Clearing Firm, to hold positions such as open-end mutual fund share classes with sales loads and 12b-1 fees, or other Ineligible Assets. Ineligible Assets are coded by the Clearing Firm as a Non-Program asset and are excluded from the performance reporting and billable asset value of the Program Fee calculation. Other Programs managed by a third-party manager prohibit holding positions not selected by the Program portfolio manager.

#### *Fee based/advisory or Commission/brokerage?*

IARs offering these Programs are also broker agents with the BD. They are able to offer both brokerage and investment advisory services. Which is better is a complicated question and in the industry and there are passionate opinions for both sides. There are firms that either offer both or one or the other separately. What it comes down to however is what you feel comfortable with. We have a client-focused approach that is designed to serve you. The IAR's also must structure their business to be able to service and support the clients they accept and within XML's capability and business relationships as well as their own capabilities. We cannot be all things to all people. Therefore, it is important to weigh the pros and cons of the value you seek from professional services and how you will pay for those services.

You should discuss the type of needs you have and the investment plan you wish to establish with the IAR. For some situations, one fee structure and arrangement would be more appropriate or more cost effective over the other (fee based vs. brokerage). For example: An investor in the accumulating stage of their life who really doesn't have planning needs and a 'buy and hold' objective likely would have lower expenses if they established a brokerage account where they pay a mutual fund sales load and custodial transactional costs on trades in that account. The expectation is that servicing needs are 'point in time' and at time of sale based, no monitoring is needed, trading should be minimal, thus a lower cost over all to the client. However, if a client wishes to utilize financial planning services, distribution strategies, ongoing investment discussions and monitoring, rebalancing of investments and periodic changes, a fee-based/advisory structure would be the generally accepted method of service.

#### **Insurance Agency** (affiliated entity)

The BD is also an insurance agency. Many IARs are also licensed insurance agents. The insurance agents can offer insurance products and are eligible to receive compensation for products sold or receive residual compensation when assigned to them via a change of agent. The insurance commissions received are in addition to trading commissions or investment advisor fees earned as part of any other service at the BD or XML.

The recommendation that a client purchase an insurance product presents a financial conflict of interest, as the receipt of commission compensation provides an incentive to recommend products based on financial gain. However, it is part of our culture and policies that a recommendation should be based on the needs and best interest for the client, not on the financial incentive of the firm or financial professional. Insurance recommendations are based on a point in time, with the facts and circumstances known at the time. You are not under any obligation to purchase a security or insurance product from the BD and/or its agents. You can purchase securities and insurance products through another, non-affiliated broker-dealer and/or insurance agency.

### **Continuing Education Provider (affiliated entity)**

The BD has the ability to offer continuing education seminars for certified public accountants (“CPAs”). Educational presentations that comply with the applicable state criteria could be held for CPAs attendance and qualify for the respective number of continuing education credits toward their CPA designation. The BD does not charge a fee for these services. CPAs may feel inclined to refer their clients to XML or the BD for services. However, the CPA would not be compensated with a referral fee.

### **Industry Affiliations**

XML and the BD are part of the Focus Financial Partners, LLC (“Focus LLC”) partnership. Specifically, XML and the BD are wholly owned subsidiaries of Focus Operating, LLC (“Focus Operating”), which is a wholly-owned subsidiary of Focus LLC. Focus Financial Partners Inc. (“Focus Inc.”) is the sole managing member of Focus LLC and is a public company traded on the NASDAQ Global Select Market, symbol FOCS. Focus Inc. owns approximately two-thirds of the economic interests in Focus LLC.

Focus Inc. has no single 25% or greater shareholder. Focus Inc. is the managing member of Focus LLC and has 100% of its governance rights. Accordingly, all governance is through the voting rights and Board at Focus Inc. As of June 30, 2021, investment vehicles affiliated with Stone Point Capital, LLC (“Stone Point”) had an approximately 22% voting interest in Focus Inc. and Stone Point had the right to designate two of eight directors on the Focus Inc. Board.

Focus LLC also owns other registered investment advisers, broker-dealers, pension consultants, insurance firms, business managers and other firms (the “Focus Partners”), most of which provide wealth management, benefit consulting and investment consulting services to individuals, families, employers, and institutions. Some Focus Partners also manage or advise limited partnerships, private funds, or investment companies as disclosed on their respective Form ADV.

We do not believe the Focus Partnership presents a conflict of interest with our clients. However, due to this affiliation, we have a limitation in that we are unable to recommend or trade on a discretionary basis the Focus Inc. stock, symbol FOCS. Orders for FOCS must be handled as unsolicited, client-directed trades.

As stated earlier in this Brochure, XML is a wholly owned subsidiary of Focus. Focus is also one of several minority investors in SmartAsset, which seeks to match prospective advisory clients with investment advisers. Focus has one director on SmartAsset’s board as well as a board observer. XML’s payment of a fee to SmartAsset benefits SmartAsset’s investors, including Focus, our parent company.

Pursuant to a management agreement between XML, Focus LLC and BR Financial Associates Management Company, LLC (the “Management Company”), the Management Company has agreed to provide persons to serve as officers and leaders of XML who, in such capacity, are responsible for the management, supervision and oversight of XML. The Management Company does not provide investment advisory services.

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

XML has adopted a Code of Ethics in compliance with applicable securities laws (“Code of Ethics”) that sets forth the standards of conduct expected of its Supervised Persons. XML’s Code of Ethics contains written policies reasonably designed to prevent certain unlawful practices such as the use of material non-public information by the Firm or any of its Supervised Persons, or trading by the Firm or any of its Supervised Persons in a manner that does not place clients’ interests first.

The Code of Ethics also requires certain of XML’s personnel to report their personal securities holdings and transactions and obtain pre-approval of certain investments (e.g., initial public offerings, limited offerings). However, Supervised Persons are permitted to buy or sell securities that they also recommend to clients if done in a fair and equitable manner that is consistent with the Firm’s policies and procedures. This Code of Ethics recognizes that some

## Wrap Fee Brochure

securities trade in sufficiently broad markets to permit transactions by certain personnel to be completed without any appreciable impact on the markets of such securities. Therefore, exceptions will be made to the policies stated below.

When the Firm is engaging in or considering a transaction in any security on behalf of a client, no Supervised Person with access to this information may knowingly effect for themselves or for their immediate family (i.e., spouse, minor children and adults living in the same household) a transaction in that security unless:

- If on the same side, the transaction for the client has been completed; if opposite, the transaction can be completed before the client (*Example: Supervised Person is selling, client is buying*).
- The transaction for the Supervised Person is completed as part of a batch trade with clients and securities pricing is averaged; or
- a decision has been made not to engage in the transaction for the client or the Supervised person.

These requirements are not applicable to transactions in the following securities and instruments: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by open end mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

IARs manage multiple client accounts and often could be recommending the purchase or sale of a security or buying or selling a security in a client's account where another IARs could be recommending and submitting transactions on the opposite side unbeknownst by each of the IARs. Clients will likely receive varied pricing, either more or less than each other as is characteristic of the market movement, liquidity needs, unsolicited trades and rebalancing of client accounts. The Firm conducts a review of Firm trading logs to identify instances where a Code of Ethics violation has occurred.

Where appropriate, if the Firm is recommending the buy, hold or sell of a security, this will be communicated to all Supervised Persons. If restrictions in trading a security are in place, this will also be communicated to Supervised Persons. Clients and prospective clients may contact [info@xmlfg.com](mailto:info@xmlfg.com) to request a copy of our Code of Ethics. The Code of Ethics addresses the following topics: prohibited activities, personal securities transactions, outside business activities and gifts. Known or suspected illegal or unethical behavior must be promptly reported to the Firm's designated principal, and no retaliatory action of any kind will be permitted against anyone making such a report, and the Firm's managing partners and officers will strictly enforce this prohibition.

### **Gifts**

Throughout the year, and especially during the holiday season, mutual fund wholesalers, product sponsors and other vendors send the IARs and/or XML branch offices items such as gift baskets, food items, stationery items or logo company promotional products. Due to industry rules, these must be less than \$100/person in value. Non-logo promotional items are logged and aggregated for review with other sponsorship or gifts by the same company during the year to review for concerns of favoritism or potential conflicts. Typically, gifts are shared with all employees at the office where received.

### **Wholesaler/product sponsor events and third-party sponsorships**

Mutual fund companies, our custodians, and product wholesalers often hold education opportunities, conferences and in-office meetings to discuss industry topics and their products and services for Supervised Persons. These meetings are held for the Supervised Persons who are interested in attending. The third-party typically pays for lunch to be brought in for in-office meeting attendees or a restaurant if held outside the office.

On occasion, third-parties will also contribute funds to sponsor client or firm events and contribute a monetary amount towards the direct cost of the event. Sponsorships are disclosed on the respective event materials.

Sponsors may also make donations to non-affiliated charitable organizations that a Supervised Person is involved with as a volunteer, provided however that donations would not be considered associated with any XML related business or have the expectation of influence.

Supervised Persons also attend third-party seminars or conferences that are paid by fund companies or product sponsors. Travel and event attendance costs are covered by the product company. All sponsorship requests require prior approval by compliance staff and are logged for tracking purposes to review for potential conflicts of interest. Third-party monetary contributions are monitored at the Firm level to aggregate and review for the appearance of favoritism or questionable activity. Nevertheless, while these measures are in place this could create a conflict of interest in the selection of one investment product over the other. We do not make any commitment of business that we will attribute to one particular product sponsor or third-party. We are not beholden to any one company. Sponsorship funds are not dependent on assets placed with any specific provider or revenue generated by such asset placement. However, the more an IAR learns about the product, the more likely they are to recommend that product, so sponsors could receive an advantage over other similar products.

### **Pre-Clearance Requirement for Certain Securities Transactions and Prohibited Securities Transactions**

IARs are required to abide by Firm policies regarding transactions in securities the Firm deems as Restricted Securities. This includes purchasing certain securities due to an IAR having material and non-public information or an affiliates' activity. XML has policies and monitoring procedures in place with regard to purchasing securities for personal and related accounts, which are incorporated in XML's Code of Ethics and the BD's Written Supervisory and Procedures. A complimentary copy of XML's complete Code of Ethics will be provided upon request by contacting us via the information provided on Item 1.

### **Participation or Interest in Client Transactions, other Client Transactions**

By participating in one of the Programs, you instruct the IAR, or applicable third-party sub-advisor(s), to direct all orders for the purchase and sale of securities through the BD and the Clearing Firm to execute, clear and settle all orders. By directing brokerage to the BD and the Clearing Firm, you may not necessarily receive best execution on each transaction. You may pay higher brokerage fees or other transaction costs or greater spreads, or receive less favorable net prices, on transactions than would otherwise be the case if the IAR had discretion to place orders for the purchase and sale of securities for the account through other broker-dealers. Furthermore, the IAR and sub-advisor(s) submit trades for the same securities for other clients which could be through other broker-dealers ahead of client's trades. By executing non-directed trades ahead of the client's directed trades, the client may receive less favorable executions prices to other clients due to, among other things, market movements. In addition, at times the BD and the sub-advisor(s) may aggregate trades ("Block Trades") to average price trades of its other clients through other broker-dealers for the same securities as those being traded by the sub-advisor(s) through XML for the client. Block Trades typically obtain more favorable prices and brokerage charges than transactions excluded from the Block Trades.

In connection with its affiliation with the BD, XML receives direct and indirect benefits through participation in these Programs, such as receipt of client statements and confirmations, access to research related products and tools, discounts for conference attendance or prepared presentation materials and sales literature.

### **Best Execution**

XML is required to take all reasonable steps to obtain the best possible trading result for clients. We consider several factors, including the price, costs, speed, likelihood of execution and settlement, size, nature, confidentiality and any other relevant considerations when executing orders on client's behalf. Best execution does not expressly mean the lowest cost or best price. To comply with best execution obligations, XML evaluates the orders received in the aggregate and periodically assess the execution quality of the various competing markets, trading venues, dealers and the market makers to which the orders are routed for execution. XML does not aggregate client orders at a firm level. Trades are monitored for suitability, as pertaining to the client's goals and risk tolerances. Trades executed through the BD at the Clearing Firm are screened through a trading filtering and alert system. The BD principal either approves, resolves, or cancels/corrects problematic trades. Trades are placed on an individual basis by each IAR. The BD itself does not engage in "block trades" on a principal basis and does not maintain an inventory. IARs will submit a block trade, such

as for discretionary programs, whereby multiple clients of the IAR are trading the same security. The executed price is averaged for all accounts.

The securities that are traded for a client are traded in more than one marketplace. Consistent with the overriding principle of best execution and subject to applicable regulatory requirements, we rely on the Clearing Firm's discretion in selecting the market in which to enter your orders. They route client orders for over-the counter and listed equity securities to exchange venues, as appropriate, with best execution being the highest priority. They receive compensation in the form of a per-share cash payment for directing order flow to these market makers. They consider a number of factors when determining where to send client's orders, including execution speed and price, price improvement opportunities, the availability of efficient and reliable order handling systems, the level of service provided, and the cost of executing orders. First Clearing strives to execute all held orders at prices equal to or better than the displayed national bid/offer price, up to the displayed size, at the time of execution. The Disclosures of Order Routing Information, including of Clearing Firm is available on <https://www.wellsfargoclearingservicesllc.com>.

IARs primarily operate independent of each other, therefore there will be disparity among clients between securities held, strategies implemented, recommendations, approaches to similar situations, and different trading price and execution times. It is possible that at any given time, unbeknownst to each other, one IAR could be recommending a client "buy" while another IAR could be recommending to another client to "sell" the same security. Likewise, third-party managers could be buying or selling the same security without knowledge of the activity of the client's investment activity held elsewhere.

An agency cross transaction occurs when an investment adviser acting either as a broker-dealer or through an affiliated broker-dealer executes for a fee a transaction between an advised client and a client of the broker-dealer. If the BD recommends an agency cross transaction it must first disclose to the client in writing the capacity in which it is acting and obtain the client's consent to the transaction.

Where it is determined that restitution is called for or that a trade must be cancelled and/or corrected, all or part of the disputed trade will be placed in the BD's Error Account and corrected accordingly. Any profit resulting from subsequent trade(s) is credited by the Clearing Firm to the BD Error Account. This amount could be applied to offset a loss resulting from another trade correction and can be carried over into the next month. However, trade losses must be promptly covered and credits in the Error Account are not paid out to the BD or XML.

### Review of Accounts

Accounts are reviewed by the IAR on a scheduled and as needed basis with annual or quarterly review conducted to ascertain whether the current asset allocation is consistent with the client's objectives and goals and for other factors as the Firm and/or IAR deem necessary. If you have a significant change in your profile or account objective, you should notify us promptly to update your information and ascertain if your current investment plan is still suitable or if changes need to be made. Likewise, if there are significant market changes or industry occurrences, these could also trigger an investment review.

XML monitors client portfolios on a continuous and regular basis. Such reviews are conducted in accordance with the Firm Monitoring Program. The entire scope of account reviews cannot be quantified, as servicing and reviewing accounts happens on a daily basis due to various reasons, such as: per an internal review, client initiated transaction, trade alert from the custodian, cash allocation, material in-flow or out-flow of funds, specific security alert, and other triggering events. Not all accounts will receive the same amount of attention and are dependent on the scope of agreed services. We have custodial alerts set up that are sent to Client Service Associates, IARs, and Firm officers for various investment related, trading and account maintenance issues. We have scheduled quarterly reviews by the IAR's and Firm officers of account and position related reports. Review of trade blotters and personal accounts trading are conducted by compliance personnel on a regular basis. Quarterly performance reports are made available to the IARs and to clients. Reviews are conducted on a sampling basis, and as needed and for those accounts where the IAR feels it is necessary. For example when there is a change in objective, personal financial profile or material inflow or outflow of funds.

### **Mental Capacity Concerns**

Should we reasonably suspect that your mental capacity is diminished or compromised and you may be unable to comprehend investment recommendations or legally authorize transactions, we reserve the right to cease recommendations and comply with the Senior Safe Act, SEC regulations and guidance and respective state and county laws. In such case we will follow industry protocols depending on the circumstances such as referring to an established power of attorney relationship or contact your Trusted Contact regarding our concerns. We encourage you to learn more about the use of a Trusted Contact at <https://www.finra.org/investors/learn-to-invest/brokerage-accounts/establish-trusted-contact>.

### **Client Obligations & Review of Account Statements**

We are not required to verify all information received from you or from your other professionals and are expressly authorized to rely on the information you provide (this is not referring to Customer Identification Policies). This includes your estimate of values for other financial related accounts (bank accounts, car, property values) and outside investment accounts you would like us to include in consolidated financial planning analysis and reports. Moreover, it remains your responsibility to promptly notify us if there is ever any change in the information you provided to us, such as in the New Account form or Client Profile, or when material changes arise in your financial situation, profile, risk tolerance, or investment objective. These changes should be promptly discussed with the IAR otherwise you could negatively impact our investment advisory services. We don't know what we don't know.

You are encouraged to discuss your needs, goals and objectives with XML. We invite you to at least annually contact us to hold an annual review, if one has not been done so already. Please contact us regarding changes to your financial profile, personal information and circumstances that were previously not communicated to XML. You are also encouraged to review the statements provided by the custodian on a regular basis. Our services require your input and communication. If you are not responsive to our requests to discuss your account(s) for a significant period of time, we reserve the right to terminate our service and will notify you as such per the contact information we have in our records or with the custodian.

XML enables performance reports to be made available to clients or as requested by the client. The Clearing Firm, who is a qualified custodian, provides account statements directly to the account owners not less than quarterly detailing all account transactions, including fees paid to XML. You should carefully and regularly review the statements provided directly by the qualified custodian and compare such official custodial records to reports or information provided directly by XML or viewed via a custodial feed in a third-party software or online portal. Statements from custodians can vary from one to another based on their accounting procedures, reporting dates, or valuation methodologies of certain securities.

### **Custody**

We currently prohibit the holding of client checks and Supervised Persons from serving as trustee for client assets, having check writing authority on behalf of clients, or be in possession of a client's username and password that would enable them to effect account transactions or withdraw funds. These prohibitions do not apply to Supervised Person whom, due to a spousal or family relationship, would serve in such a capacity or unless fully disclosed and approved by the Firm. XML will not have physical custody of any client assets. However, due to certain authorities granted in some of the legacy custodial new account applications with the BD, XML is deemed by the applicable regulatory rules to have custody of the Program assets. We request that checks for deposit into investment accounts be made payable to the custodian. Should we receive checks made payable to the client instead of the custodian, we require the client to either properly make the check payable to the custodian or return the check. Should the check be deposited by XML, that account will be considered a custody account. XML satisfies the applicable regulatory requirements related to custody by, among other things, ensuring that an annual surprise audit is conducted by an independent, PCAOB registered accounting firm.

The Clearing Firm calculates and deducts XML's advisory fees from the account per the Program Agreement. Accountholders must authorize the custodian to pay the XML advisor's fees from their account. It is the accountholder's

## Wrap Fee Brochure

responsibility to verify the accuracy of the fees. The custodians have no obligation to review or monitor these fees. It is recommended that the accountholder contact their IAR if they have any questions.

### **Client Referrals and Other Compensation**

The Firm allows for a Supervised Person, who does not serve as a servicing IAR conducting regular portfolio management services to receive compensation for client referrals. A Supervisor may recommend a bonus to an employee who refers new clients to the Firm based on other factors. This is a one-time bonus and there is no residual compensation paid to the employee. Refer to the IAR's 2B Supplement Item 4 Outside Business and Item 5 Additional Compensation for more information.

We pay a fee to participate in an online adviser matching programs, Smart Asset, which seeks to match prospective advisory clients who have expressed an interest in finding an investment adviser with investment advisory firms. The adviser matching program provides the name and contact information of such persons to the advisory firms as potential leads. For our participation on the program, we pay a flat fee per lead for clients who provide figures of investible assets at certain levels. The fee is payable regardless of whether the prospect becomes our advisory client. We have agreed to pay the adviser matching program a certain percentage of the advisory fees we receive from any program participant who ultimately becomes our client. The participation in this program will not result in a fee increase due to the referral arrangement.

### **Other Compensation and Additional Information**

The following information is related to the revenue share that the affiliated BD is eligible to receive, not XML, from applicable Program assets and your respective account activity and selection of services.

#### **Cash Sweep**

For both Program and brokerage accounts held at the Clearing Firm clients can earn a rate of return on the uninvested cash balances in the account by automatically placing or "sweeping" cash balances into a sweep vehicle until such balances are invested or otherwise needed ("Cash Sweep"). Cash Sweep vehicles currently consist of Money Market Mutual Funds and a Bank Deposit Sweep, which is composed of interest-bearing deposit accounts at four banks affiliated with Wells Fargo & Company ("Bank Sweep"). Eligibility for each available sweep vehicle is determined by the Clearing Firm based on the type of account. The Bank Deposit Sweep is the only available option for non-ERISA, non-discretionary IRAs or non-entity clients who elect the Cash Sweep Program. However, the balances in IRA discretionary advisory and ERISA discretionary advisory accounts will be excluded from the BD's monthly revenue share calculation.

The BD benefits financially from the Cash Sweep. The BD's agreement with the Clearing Firm provides for a monthly revenue share calculated on the average monthly net assets invested in the Bank Sweep or Money Market Sweep, except for ERISA assets, at a rate that increases as client balances increase. The Bank Sweep is significantly more profitable to the BD than any other cash sweep vehicle. However, in a very low interest rate environment and in accordance with the BD's agreement with the Clearing Firm, this revenue share could result in very minimal to no monthly revenue. This creates a conflict to encourage clients to elect the Cash Sweep Program. However, this conflict is mitigated in that the Financial Professionals, with some exceptions, who are recommending investment accounts, investment products and allocations are not compensated directly from revenue the BD receives from Cash Sweep Balances. Financial Professionals who are part of the management company of XML and the BD, are compensated differently than non-management company personnel based on management fee which is derived from Earnings Before Partner Compensation ("EBPC"). For more information related to how the management company is compensated and XML BD's relationship with Focus Financial Partners Inc, refer to the public filings made by Focus on the SEC's EDGAR database such as [Amendment No. 1 to Form S-1](#).

The Bank Sweep is insured by the FDIC. Refer to <https://www.fdic.gov/resources/deposit-insurance/understanding-deposit-insurance/> to better understand what his coverage means and what it does not cover. Note however that the

interest rate you will receive will likely be lower than on money market funds that you would invest in or that you would receive in an interest account directly with a bank. Important information regarding your options, bank aggregate amounts, FDIC and SIPC coverage and fees are available in the Cash Sweep Program Disclosure Statement provided when you opened your brokerage account and consult with us. Please read over this document carefully. You can elect not to participate in the Cash Sweep Program and/or periodically invest cash balances directly in available money market mutual funds or other products offered as direct investments outside of the Cash Sweep Program by providing instructions to your IAR

### **Margin Balances**

The BD charges interest on margin debit balances in accordance with the margin agreement and Statement of Interest Charges as provided in the brokerage account Client Agreement packet. The BD is eligible to earn the difference between the interest rate charged to you and cost of funds. The BD's agreement with the Clearing Firm increases the profitability of margin lending as client margin debit balances increase. This creates a conflict in that the BD receives this revenue in addition to the compensation for other brokerage products and services and is available for most Program accounts. However, this is mitigated in that you must determine whether to maintain margin balances and the IAR is not compensated directly regarding this revenue.

### **Clearing Firm Transition & Extension**

In 2020 the BD renegotiated an amendment to the clearing agreement's Pricing Schedule A, that included an extension of the agreement to 2024 and a cash extension award. An amendment to the clearing agreement's Pricing Schedule A was effective as of February 1, 2022, and included revisions to decrease revenue sharing and expense amounts, a cash extension award and extended the agreement through 2027. This award payment is recognized on a monthly basis with the intent to be used to offset infrastructure expenses of the BD. It is not applied as compensation to IARs. The Clearing Firm applies a pro-rated termination Fee Schedule should the BD terminate its clearing agreement before the end of the contract term. These benefits and penalty present a conflict of interest related to XML's and the BD's use of the Clearing Firm platform. However, these funds are a common occurrence in the industry and other custodians offer similar arrangements. A change to another Clearing Firm would likely generate the same award. To change Clearing Firms is a significant undertaking for a firm and its clients. The use of a Clearing Firm is a long-term commitment and integral part of an introducing broker-dealer's business model, and product and service offerings, thus it is not a change to be made lightly. The BD and XML periodically review the Clearing Firm services as described herein. For the IARs who are also broker agents with the BD, use of the Clearing Firm provides advantages for clients in that their financial professional can offer both products and services in a comprehensive and coordinated manner. Clients with both brokerage and advisory accounts at the Clearing Firm are able to enjoy the benefits of working with one custodian, such as consolidated reporting, costs advantages of householding, ease of transferring funds and securities between accounts, and the same contact to service the accounts. Clients have a wide range of access to products, reporting, and services at a single custodian.

### **Account Charges**

The BD receives revenue from the application of some of the fees listed in the Schedule of Client Fees. This includes the postage fee applied to certain transactions. The revenue share in these fees is minimal and helps off-set other account related servicing costs imposed by the Clearing Firm and paid for by the BD. These costs are often generated based on the client's direction or action, and are generally immaterial. The IAR is not compensated on these fees. These percentages may change as negotiated between the Clearing Firm and the BD. At the Clearing Firm's sole discretion, the schedule of fees can change, be discontinued or a new schedule issued.

### **Securities Based Lending**

A Priority Credit Line ("PCL") is a type of non-purpose margin loan that can be used for any personal or business need except to purchase, carry, or trade securities or to pay down or pay off a margin account. These are also known as a non-purpose loan. A non-purpose loan may offer greater borrowing power than traditional margin against stocks, mutual funds, and exchange-traded funds (ETFs). Further, securities not eligible for margin may be eligible collateral for a PCL.

*What should you know before you borrow against securities?*

Borrowing against securities involves risk and may not be suitable for all investors. You need to understand and carefully consider these risks before opening a PCL. Although a PCL may allow you to meet a borrowing or liquidity need without having to sell your securities, it is possible you can lose more funds than you initially deposited in your account. A decline in the value of securities that are collateralizing your loan may require you to provide additional funds or securities to First Clearing to avoid a forced sale of your securities in your account(s).

Utilization of a PCL through XML BD at the Clearing Firm is at your discretion and is available to you as an option to your brokerage account. In the capacity as such, a broker-agent can facilitate the implementation of a PCL.

### **Securities Based Lending/ Priority Credit Line (PCL)**

The Priority Credit Line (PCL) is a line of credit backed by the value of eligible securities in a designated account. This product is designed to help you meet personal or business cash-flow needs. There are many terms and conditions, including important restrictions regarding the purposes the funds can be used for. They cannot be used for securities related activity. A PCL application will be reviewed and either approved or denied by XML BD. We and/or First Clearing reserve the right to reject a PCL application for any reason. In the capacity as a broker agent, your Financial Professional can recommend and facilitate the implementation of a PCL. For PCLs opened through XML BD at First Clearing, the PCL default rate is the rate calculated per the Statement of Interest Charges located in the brokerage account agreement documents. However, XML BD offers a firm adjusted rate for new PCL's through XML BD. The firm Adjusted Rate must be manually activated and approved by us in order for it to take effect. This Adjusted PCL rate is at the discretion of XML BD and is a percentage above our cost of funds, which can change without our control. XML BD and your Financial Professional will receive a portion of the interest applied over our cost of funds as compensation in the form of revenue share. This creates a conflict for recommending a PCL or not recommending a PCL depending on the anticipated account activity in the designated account collateralized against the PCL loan or for you to borrow at greater amounts. Thus, XML BD has elected to implement an Adjusted PCL rate to minimize the conflict related to compensation for XML BD and Financial Professionals. Please read through the materials provided related to the PCL and discuss the PCL restrictions, use of funds and interest rate with your Financial Professional. Once a PCL is active you can refer to the custodial statements to view the interest rate and charges under the section titled "State of Interest Charged".

Accounts transferring to XML BD with an established securitized loan interest rate lower than the firm Adjusted rate may or may not be granted an interest rate exception.

### **Priority Credit Line Disclosures**

#### **IT IS IMPORTANT THAT YOU READ AND UNDERSTAND THIS INFORMATION PRIOR TO OPENING YOUR PRIORITY CREDIT LINE ACCOUNT**

The securities, which you pledged to secure your Priority Credit Line, are the collateral for the loan to you. If the pledged securities decline in value, so does the value of the collateral supporting your loan, and, as a result, XML BD and/or the Clearing Firm (in this section "we") can take action, such as issue a maintenance call and/or sell securities or other assets in any of your accounts, in order to maintain the required equity in your account.

It is important that you fully understand the risks involved in pledging securities for a loan. These risks include the following:

- **You can lose more funds than you deposit in your pledged account(s).** A decline in the value of securities that are pledged for the Priority Credit Line may require you to provide additional funds to Wells Fargo Clearing Services, LLC ("First Clearing"\*), which has made the loan, to avoid the forced sale of those securities or other assets in your account(s).
- **We can force the sale of securities or other assets in your pledged account(s).** If the equity in your account(s) falls below the maintenance requirements or our higher "house" requirements, we can sell the securities or other assets in any of your accounts held with us to cover the maintenance deficiency. You also will be responsible for any shortfall in the account after such sale.
- **We can sell your securities or other assets without contacting you.** Some investors mistakenly believe that firms such as ours must contact them for a maintenance call to be valid, and that the firm cannot liquidate securities or

other assets in their accounts to meet the call unless the firm has contacted them first. This is not the case. While we will try to notify you of maintenance calls, we are not required to do so. However, even if we have notified you and provided a specific date by which you can meet a maintenance call, we can still take necessary steps to protect our financial interests, including immediately selling the securities without notice to you.

- **You are not entitled to choose which securities or other assets in your account(s) are liquidated or sold to meet a maintenance call.** It is vital for you to understand that because the securities are collateral for the Priority Credit Line, we have the right to decide which security to sell in order to protect our interests. Because our interests may not be aligned with yours, you should understand that we may sell securities or assets, which you may desire to keep. If there are securities or assets, which you desire to own during the term of your Priority Credit Line, you should not pledge them as collateral for the loan.

- **We can increase our “house” maintenance requirements at any time and are not required to provide you with advance written notice.** These changes in firm policy often take effect immediately and may result in the issuance of a maintenance call. Your failure to satisfy the call may cause us to liquidate or sell securities in your account(s).

- **You are not entitled to an extension of time on a maintenance call.** While an extension of time to meet maintenance requirements may be available to customers under certain circumstances, a customer does not have a right to the extension.

**Advances made on your Priority Credit Line may be made for any purpose other than purchasing, carrying or trading in securities, or reducing or retiring indebtedness incurred to purchase, carry or trade in securities.**

### **Additional Considerations Associated with Pledging Advisory Accounts**

In addition to the risks mentioned above, with respect to investment advisory account(s) that are pledged or otherwise used as collateral in connection with the Priority Credit Line, the exercise of our rights and powers over the assets in your advisory account(s), including the disposition and sale of any and all assets pledged as collateral may be contrary to your interests and the investment objective of your advisory account(s). Any recommendation to participate in the Priority Credit Line, as well as the related compensation that we, the Clearing firm or their affiliate may receive, could create conflicts of interest between you and us or, if applicable, the Clearing firm or their affiliate. For example, such recommendation to participate in the Priority Credit Line could result in a situation in which the Clearing Firm is required to liquidate securities your IAR or money manager would otherwise not sell, and which may not otherwise be in your best interests to sell, to satisfy a maintenance call. We or a third-party money manager will seek to manage your advisory account(s) as agreed under your advisory program agreement(s), provided that, if a maintenance call takes place, we or your money manager may not be able to manage your advisory account(s) consistent with our or the money manager's overall strategy. Any action taken by us, or an affiliate, against the assets in your advisory account(s) pursuant to your Priority Credit Line Agreement will not constitute a breach of our fiduciary duties as an investment advisor to you under your advisory program agreement(s). In addition, the costs associated with the Priority Credit Line, including the costs associated with a maintenance call, are not included in your advisory program fees and may result in additional compensation to us, our affiliate, and the IAR. See your advisory program disclosure document(s) for additional information on the conflicts of interests and risks associated with pledging your advisory account(s). **It is important you read and understand the PCL Disclosure document. This also contains Additional Considerations Associates with Pledging Advisory Accounts.**

### **Recruiting Cost Support Concession**

During the term of an agreement between the BD and the Clearing Firm, the BD may be eligible for a Recruiting Cost Support Concession payment for a qualifying financial advisor who transfers client assets to the Clearing Firm as measured by such agreement. This creates a conflict for XML and the BD as there is an incentive to bring financial professionals and their client's assets to the firm and recommend they utilize the Clearing Firm. We feel this is mitigated in that our firm is structured around supporting the operations at the Clearing Firm. This is a large factor of our business model. There is an inherent economy of scale and it is a general practice for an introducing broker-dealer to have only one clearing firm. We are structure to maintain only one clearing firm. The more custodians a firm uses, the more significate a burden on the internal operations, supervision, monitoring and the day-to-day handling of accounts.

# Wrap Fee Brochure

## Financial Information

XML is not required to disclose any financial information as XML does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance of services rendered, XML does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients and XML has not been the subject of a bankruptcy petition at any time during the past ten years.

\*\*\*