

**Part 2A of Form ADV: *Firm Brochure***

**Sheaff Brock Investment Advisors, LLC**

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11/15/2011

This brochure provides information about the qualifications and business practices of Sheaff Brock Investment Advisors, LLC. If you have any questions about the contents of this brochure, please contact us at 317-705-5700 or [daveg@sheaffbrock.com](mailto:daveg@sheaffbrock.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Sheaff Brock Investment Advisors, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 118739.

## **Item 2    Material Changes**

The SEC adopted "Amendments to Form ADV" in July, 2010. This Firm Brochure, dated 03/23/2011, is our new disclosure document prepared according to the SEC's new requirements and rules. As you will see, this document is a narrative that is substantially different in form and content, and includes some new information that we were not previously required to disclose.

After our initial filing of this Brochure, this Item will be used to provide our clients with a summary of new and/or updated information. We will inform you of the revision(s) based on the nature of the updated information.

Consistent with the new rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

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## **Item 4 Advisory Business**

Sheaff Brock Investment Advisors, LLC is a SEC-registered investment adviser with its principal place of business located in Indiana. Sheaff Brock Investment Advisors, LLC began conducting business in 2001.

Listed below are the firm's principal shareholders (i.e., those individuals and/or entities controlling 25% or more of this company).

- David Sheaff Gilreath, Managing Director
- Ronald Robert Brock, Managing Director

Sheaff Brock Investment Advisors, LLC offers the following advisory services to our clients:

### **INVESTMENT SUPERVISORY SERVICES ("ISS") INDIVIDUAL PORTFOLIO MANAGEMENT**

Our firm provides continuous advice to a client regarding the investment of client funds based on the individual needs of the client. Through personal discussions in which goals and objectives based on a client's particular circumstances are established, we develop a client's personal investment policy and create and manage a portfolio based on that policy. During our data-gathering process, we determine the client's individual objectives, time horizons, risk tolerance, and liquidity needs. As appropriate, we also review and discuss a client's prior investment history, as well as family composition and background.

We manage these advisory accounts on a discretionary basis. Account supervision is guided by the client's stated objectives (i.e., maximum capital appreciation, growth, income, or growth and income), as well as tax considerations.

Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors.

Our investment recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company and will generally include advice regarding the following securities:

- Exchange-listed securities
- Securities traded over-the-counter
- Foreign issuers
- Warrants
- Corporate debt securities (other than commercial paper)
- Certificates of deposit

- Municipal securities
- Variable annuities
- Mutual fund shares
- United States governmental securities
- Options contracts on securities

Because some types of investments involve certain additional degrees of risk, they will only be implemented/recommended when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability.

Clients of James P. McMahon are generally not modeled and Mr. McMahon custom designs portfolios for each client's needs and risk tolerances. He often uses ideas and securities selection from the various Sheaff Brock and Salzinger Sheaff Brock models, but adapts them individually for each specific client.

### **INVESTMENT SUPERVISORY SERVICES ("ISS") MODEL PORTFOLIO MANAGEMENT**

Our firm provides portfolio management services to clients using model asset allocation portfolios. Each model portfolio is designed to meet a particular investment goal.

**Best Ideas** - This model consists of about 40 domestic equity positions of which about half are large-cap and half are small and mid-cap. The only portfolio objective is capital growth and is normally 100% invested in equities. The manager can raise cash depending on macro-market conditions. The stock selection process uses the proprietary Quadrix ranking system created by Horizon Investment Services, LLC, who is the sub-advisor to the portfolio. It is generally a "growth at a reasonable price" methodology. Turnover is reasonably high at about two or three position changes per month, for a turnover rate of almost 80%..

**Upside Plus** - This model consists of about 30 domestic equity positions of which virtually all are small and mid-cap. The only portfolio objective is aggressive capital growth and is normally 100% invested in equities. The manager can raise cash depending on macro-market conditions. The stock selection process uses the proprietary Quadrix ranking system created by Horizon Investment Services, LLC, who is the sub-advisor to the portfolio. It is generally a "growth at a reasonable price" methodology. Volatility is slightly higher than the market and turnover is reasonably high at about two position changes per month, for a turnover rate of about 80%.

**Dividend Growth & Income** - This model consists of 20 to 25 generally domestic equity positions. The selection process is first top-down by identifying an out of favor sector (contrarian) and then bottom-up using Benjamin Graham type value metrics combined with reasonable earnings growth expectations, a history of paying a dividend AND a history of raising that dividend to select an individual security. We attempt to buy new positions just ahead of ex-dividend date to "capture" an extra dividend. Turnover is low at about two

position changes per quarter, less than 45%. The portfolio objective is a rising dividend income and secondarily capital appreciation.

**Option Opportunity** - This model consists of 20 to 25 generally domestic equities chosen by similar methods described in the three above portfolios. Each position is then covered by a "covered call" option position. The objective is to create a 2% to 3% cash flow every quarter in the portfolio from the call option income alone. The second objective is to earn capital appreciation on the underlying stock between the purchase price and the call option strike price. Turnover is very high and short-term capital gains are common. The portfolio objective is high income and secondarily capital appreciation.

**Preferred Income** – This portfolio consists of about 20 positions in preferred stocks and corporate bond trusts that trade as preferred stocks. Generally the stocks are NYSE listed and have a par value of \$25 per share. The objective is income and capital preservation. Capital appreciation is generally minimal. This portfolio is sub-advised by Trust Investment Advisors, Corp. (TIA), an SEC registered investment advisor founded in 1987. TIA's founder, Larry Pitts has 40 years of experience managing institutional fixed income portfolios and has been managing the preferred strategy since 2008.

**Salzinger Sheaff Brock** – ETF and mutual fund portfolios, including the **Alternative** portfolio offered through Sheaff Brock, are sub-advised by Mark Salzinger who is affiliated by being a member of Salzinger Sheaff Brock, LLC. Mark is also publishing editor of two popular newsletters, the *No-Load Fund Investor* and the *Investor's ETF Report*.

We sometimes will use a mutual fund, the Auer Growth Fund as an allocation to an account or a portfolio designed by Salzinger Sheaff Brock as an allocation. Both of these offerings are managed by affiliated companies. We manage these advisory accounts on a discretionary basis. Account supervision is guided by the client's stated objectives (i.e., maximum capital appreciation, growth, or income and growth). Tax considerations are recognized, but not the driving force in portfolio management decisions.

Through personal discussions with the client in which the client's goals and objectives are established, we determine if the model portfolio is suitable to the client's circumstances. Once we determine the suitability of the portfolio, the portfolio is managed based on the portfolio's goal, rather than on each client's individual needs. Clients, nevertheless, have the opportunity to place reasonable restrictions on the types of investments to be held in their account. Clients retain individual ownership of all securities.

Our investment recommendations are not limited to any specific product or service offered by a broker dealer or insurance company and will generally include advice regarding the following securities:

- Exchange-listed securities
- Securities traded over-the-counter
- Corporate debt securities (other than commercial paper)

- Municipal securities
- United States governmental securities
- Options contracts on securities

Because some types of investments involve certain additional degrees of risk, they will only be implemented/recommended when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability.

To ensure that our initial determination of an appropriate portfolio remains suitable and that the account continues to be managed in a manner consistent with the client's financial circumstances, we will:

1. send quarterly written reminders to each Model Portfolio Management Services client of their current allocation, gains and losses, and fees paid;
2. at least annually, remind in writing each participating client to tell us whether there have been any changes in the client's financial situation or investment objectives. It is clearly written in our account agreement it is the client's responsibility to tell us of any changes in their financial situation and needs;
3. be reasonably available to consult with the client; and
4. maintain client suitability information in each client's file.

### **AMOUNT OF MANAGED ASSETS**

As of 9/8/2011, Sheaff Brock is actively managing \$290,000,000 of clients' assets on a discretionary basis.

## **Item 5 Fees and Compensation**

### **INVESTMENT SUPERVISORY SERVICES ("ISS") INDIVIDUAL PORTFOLIO MANAGEMENT FEES**

Our annual fees for Investment Supervisory Services are based upon a percentage of assets under management and generally range from 0.96% to 1.25%.

Our fees are billed quarterly, in advance, at the beginning of each calendar quarter based upon the value (market value or fair market value in the absence of market value), of the client's account at the end of the previous quarter. Fees will be debited from the account in accordance with the client authorization in the Client Services Agreement.

A minimum of \$200,000 of assets under management is required for this service although the Option Opportunity portfolio requires a minimum of \$250,000. This account size may be negotiable under certain circumstances. Sheaff Brock Investment Advisors, LLC may group certain related client accounts for the purposes of achieving the minimum account size and determining the annualized fee. Sheaff Brock Investment Advisors, LLC is a minority owner of SBAuer Funds, LLC and receives a portion of the management fee of the Auer Growth

Fund. Sheaff Brock Investment Advisors, LLC account management fees may be charged on assets held in the Auer Growth Fund as they would be on other strategic fund allocations.

**Limited Negotiability of Advisory Fees:** Although Sheaff Brock Investment Advisors, LLC has established the aforementioned fee schedule(s), we retain the discretion to negotiate alternative fees on a client-by-client basis. Client facts, circumstances and needs are considered in determining the fee schedule. These include the complexity of the client, assets to be placed under management, anticipated future additional assets; related accounts; portfolio style, account composition, reports, among other factors. The specific annual fee schedule is identified in the contract between the adviser and each client.

We may group certain related client accounts for the purposes of achieving the minimum account size requirements and determining the annualized fee.

Discounts, not generally available to our advisory clients, may be offered to family members and friends of associated persons of our firm.

### **INVESTMENT SUPERVISORY SERVICES ("ISS") MODEL PORTFOLIO MANAGEMENT FEES**

Our annual fees for Model Portfolio Management Services are based upon a percentage of assets under management and generally range from 0.96% to 1.25%.

Our fees are billed quarterly, in advance, at the beginning of each calendar quarter based upon the value (market value or fair market value in the absence of market value), of the client's account at the end of the previous quarter. Fees will be debited from the account in accordance with the client authorization in the Client Services Agreement. A minimum of \$200,000 of assets under management is required for this service. This account size may be negotiable under certain circumstances. Sheaff Brock Investment Advisors, LLC may group certain related client accounts for the purposes of achieving the minimum account size and determining the annualized fee.

**Limited Negotiability of Advisory Fees:** Although Sheaff Brock Investment Advisors, LLC has established the aforementioned fee schedule(s), we retain the discretion to negotiate alternative fees on a client-by-client basis. Client facts, circumstances and needs are considered in determining the fee schedule. These include the complexity of the client, assets to be placed under management, anticipated future additional assets; related accounts; portfolio style, account composition, reports, among other factors. The specific annual fee schedule is identified in the contract between the adviser and each client.

We may group certain related client accounts for the purposes of achieving the minimum account size requirements and determining the annualized fee.

Discounts, not generally available to our advisory clients, may be offered to family members and friends of associated persons of our firm.

## SELECTION and MONITORING of THIRD-PARTY MONEY MANAGERS FEES

### GENERAL INFORMATION

***Termination of the Advisory Relationship:*** A client agreement may be canceled at any time, by either party, for any reason upon receipt of 30 days written notice. [As disclosed above, certain fees are paid in advance of services provided.] Upon termination of any account, any prepaid, unearned fees will be promptly refunded. [In calculating a client's reimbursement of fees, we will pro rate the reimbursement according to the number of days remaining in the billing period.]

***Mutual Fund Fees:*** All fees paid to Sheaff Brock Investment Advisors, LLC for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or ETFs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a mutual fund directly, without our services. In that case, the client would not receive the services provided by our firm which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

***Additional Fees and Expenses:*** In addition to our advisory fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker dealers, including, but not limited to, any transaction charges imposed by a broker dealer with which an independent investment manager effects transactions for the client's account(s). Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information.

***Grandfathering of Minimum Account Requirements:*** Pre-existing advisory clients are subject to Sheaff Brock Investment Advisors, LLC's minimum account requirements and advisory fees in effect at the time the client entered into the advisory relationship. Therefore, our firm's minimum account requirements will differ among clients.

***ERISA Accounts:*** Sheaff Brock Investment Advisors, LLC is deemed to be a fiduciary to advisory clients that are employee benefit plans or individual retirement accounts (IRAs) pursuant to the Employee Retirement Income and Securities Act ("ERISA"), and regulations under the Internal Revenue Code of 1986 (the "Code"), respectively. . As such, our firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, Sheaff Brock Investment Advisors, LLC may only charge fees for investment advice about products for which our firm and/or our related persons do not receive any commissions or 12b-1 fees, or conversely, investment advice about products for which our firm and/or our related persons receive commissions or 12b-1 fees, however, only when such fees are used to offset Sheaff Brock Investment Advisors, LLC's advisory fees.

**Advisory Fees in General:** Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers for similar or lower fees.

**Limited Prepayment of Fees:** Under no circumstances do we require or solicit payment of fees in excess of \$1200 more than six months in advance of services rendered.

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

Sheaff Brock Investment Advisors, LLC does not charge performance-based fees.

## **Item 7 Types of Clients**

Sheaff Brock Investment Advisors, LLC provides advisory services to the following types of clients:

- Individuals (other than high net worth individuals)
- High net worth individuals
- Pension and profit sharing plans(other than plan participants)
- Charitable organizations
- Corporations or other businesses not listed above

As previously disclosed in Item 5, our firm has established certain initial minimum account requirements, based on the nature of the service(s) being provided. For a more detailed understanding of those requirements, please review the disclosures provided in each applicable service.

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

### **METHODS OF ANALYSIS**

We use the following methods of analysis in formulating our investment advice and/or managing client assets:

**Fundamental Analysis.** We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell).

Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market

regardless of the economic and financial factors considered in evaluating the stock.

**Technical Analysis.** For our Dividend Growth and Income portfolios We analyze sector movements and apply that analysis in an attempt to recognize undervalued or oversold sectors.

Technical analysis does not consider the underlying financial condition of a company or industry. This presents a risk in that a poorly-managed or financially unsound company or out of favor sector may underperform regardless of market movement.

**Quantitative Analysis.** We use mathematical models in an attempt to obtain more accurate measurements of a company's quantifiable data, such as the value of a share price, earnings per share, return-on-equity, PEG ratio, current ratio and debt levels and predict changes to that data.

A risk in using quantitative analysis is that the models used may be based on assumptions that prove to be incorrect.

**Asset Allocation.** Rather than focusing primarily on securities selection, we attempt to identify an appropriate ratio of securities, fixed income, and cash suitable to the client's investment goals and risk tolerance.

A risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of securities, fixed income, and cash will change over time due to stock and market movements and, if not corrected, will no longer be appropriate for the client's goals.

**Mutual Fund and/or ETF Analysis.** We look at the experience and track record of the manager of the mutual fund or ETF in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We also look at the underlying assets in a mutual fund or ETF in an attempt to determine if there is significant overlap in the underlying investments held in another fund(s) in the client's portfolio. We also monitor the funds or ETFs in an attempt to determine if they are continuing to follow their stated investment strategy.

A risk of mutual fund and/or ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a fund or ETF, managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETF, which could make the holding(s) less suitable for the client's portfolio.

**Risks for all forms of analysis.** Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

## **INVESTMENT STRATEGIES**

We use the following strategy(ies) in managing client accounts, provided that such strategy(ies) are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:

**Long-term purchases.** We purchase securities with the idea of holding them in the client's account for a year or longer. Typically we employ this strategy when:

- we believe the securities to be currently undervalued, and/or
- we want exposure to a particular asset class over time, regardless of the current projection for this class.

A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantage of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

**Short-term purchases.** When utilizing this strategy, we purchase securities with the idea of selling them within a relatively short time (typically a year or less). We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase.

A short-term purchase strategy poses risks should the anticipated price swing not materialize; we are then left with the option of having a long-term investment in a security that was designed to be a short-term purchase, or potentially taking a loss.

In addition, this strategy involves more frequent trading than does a longer-term strategy, and will result in increased brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains.

**Option writing.** We may use options as an investment strategy. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an asset (such as a share of stock) at a specific price on or before a certain date. An option, just like a stock or bond, is a security. An option is also a derivative, because it derives its value from an underlying asset.

The two types of options are calls and puts:

- A call gives us the right to buy an asset at a certain price within a specific period of time. We will buy a call if we have determined that the stock will increase substantially before the option expires.
- A put gives us the holder the right to sell an asset at a certain price within a specific period of time. We will buy a put if we have determined that the price of the stock will fall before the option expires.

We will also use options to "hedge" a purchase of the underlying security; in other words, we

will use an option purchase to limit the potential downside of a security we have purchased for your portfolio.

We use "covered calls", in which we sell an option on security you own. In this strategy, you receive a premium for making the option available, and the person purchasing the option has the right to buy the security from you at an agreed-upon price.

A risk of covered calls is that the option buyer does not have to exercise the option, so that if we want to sell the stock prior to the end of the option agreement, we have to buy the option back from the option buyer, for a possible loss.

**Risk of Loss.** Securities investments are not guaranteed and you may lose money on your investments. We ask that you work with us to help us understand your tolerance for risk.

## **Item 9 Disciplinary Information**

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

SBIA and our personnel seek to maintain the highest level of business professionalism, integrity, and ethics. SBIA has no reportable disciplinary information in our ADV Part I and thus does not have any disciplinary information to disclose.

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

### ***Mutual Fund:***

Sheaff Brock Investment Advisors, LLC previously disclosed in "Advisory Business" (Item 4) and "Fees and Compensation" (Item 5) of this brochure that our firm is associated with the investment adviser to SBAuer Funds, LLC / The Auer Growth Fund, an investment company registered under the Investment Company Act of 1940. We are related to the Mutual Fund through common control. Please refer to these items for a detailed explanation of this relationship and important conflict of interest disclosures.

For additional information, the Fund Prospectus and Statement of Additional Information are available on-line at: [www.sbauerfunds.com](http://www.sbauerfunds.com). Prospective investors should review these documents carefully before making any investment in the Mutual Fund.

### ***Other pooled investment vehicle(s):***

Management personnel of Sheaff Brock Investment Advisors, LLC may also be managing member(s) of limited liability companies (LLCs) and/or general partner(s) to limited partnerships (LPs) formed for investment purposes. As appropriate, our advisory clients may be solicited to invest in such LLCs and/or LPs. These related persons of our firm do not receive investment advisory compensation in relation to these investments, but do have a conflict of interest in soliciting client investments.

Because investment in these types of entities may involve certain additional degrees of risk, they will only be recommended when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability.

Related persons of our firm may spend as much as 10% of their time on these related activities. A list of these affiliated entities is specifically disclosed on Schedule D of Form ADV, Part 1 at Item 7.B. Part 1 of our Form ADV can be accessed by following the directions provided on the Cover Page of this Firm Brochure.

Clients interested in investing in the partnership/company should refer to the partnership's/company's private placement memorandum for more information specific to the partnership/company.

Members of our firm's management is separately licensed as an investment adviser representative of Salzinger Sheaff Brock, LLC (SSB). In that capacity, this individual provides advisory services through SSB. The advisory services delivered by SSB are distinct from those provided by our firm and are provided for separate compensation. SSB's advisory services may be recommended to our clients for whom it is appropriate. There are no referral fee arrangements between our firm and SSB. However, a conflict of interest is created by this arrangement to the extent that this individual recommends that a Sheaff Brock Investment Advisors, LLC client open a SSB account through which this individual may receive additional compensation, although generally speaking they will receive less. No Sheaff Brock Investment Advisors, LLC client is obligated to use SSB or its services. Clients choosing to implement Sheaff Brock Investment Advisors, LLC's recommendations through SSB's advisory services should refer to SSB's Firm Brochure or other disclosure document for details regarding that firm's services and fees.

## **Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws.

Sheaff Brock Investment Advisors, LLC and our personnel owe a duty of loyalty, fairness and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

Our Code of Ethics includes policies and procedures for the review of securities transactions reports as well as initial and annual securities holdings reports that must be accessible to the firm's CCO. Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our code also provides for oversight, enforcement and recordkeeping provisions.

Sheaff Brock Investment Advisors, LLC's Code of Ethics further includes the firm's policy prohibiting the use of material non-public information. While we do not believe that we have any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email sent to [info@sheaffbrock.com](mailto:info@sheaffbrock.com), or by calling us at 317-705-5700.

Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

Our firm and/or individuals associated with our firm may buy or sell for their personal accounts securities identical to or different from those recommended to our clients. In addition, any related person(s) may have an interest or position in a certain security(ies) which may also be recommended to a client.

It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, thereby preventing such employee(s) from benefiting from transactions placed on behalf of advisory accounts.

We may aggregate our employee trades with client transactions where possible and when compliant with our duty to seek best execution for our clients. In these instances, participating clients will receive an average share price and transaction costs will be shared equally and on a pro-rata basis. In the instances where there is a partial fill of a particular batched order, we will allocate all purchases to the largest accounts first, with each account paying the average price. Our employee accounts will be excluded in the partial-fill allocation.

As these situations represent actual or potential conflicts of interest to our clients, we have established the following policies and procedures for implementing our firm's Code of Ethics, to ensure our firm complies with its regulatory obligations and provides our clients and potential clients with full and fair disclosure of such conflicts of interest:

1. No principal or employee of our firm may put his or her own interest above the interest of an advisory client.
2. No principal or employee of our firm may buy or sell securities for their personal portfolio(s) where their decision is a result of information received as a result of his or her employment unless the information is also available to the investing public.
3. It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account. This prevents such employees from benefiting from transactions placed on behalf of advisory accounts.
4. Our firm requires prior approval for any IPO or private placement investments by related persons of the firm.
5. We maintain a list of all reportable securities holdings for our firm and anyone associated with this advisory practice that has access to advisory recommendations ("access person"). These holdings are reviewed on a regular basis by our firm's Chief Compliance Officer or his/her designee.

6. We have established procedures for the maintenance of all required books and records.
7. Clients can decline to implement any advice rendered, except in situations where our firm is granted discretionary authority.
8. All of our principals and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
9. We require delivery and acknowledgement of the Code of Ethics by each supervised person of our firm.
10. We have established policies requiring the reporting of Code of Ethics violations to our senior management.
11. Any individual who violates any of the above restrictions may be subject to termination.

As disclosed in the preceding section of this Brochure (Item 10), related persons of our firm are separately registered as investment adviser representatives of another registered investment adviser. Please refer to Item 10 for a detailed explanation of these relationships and important conflict of interest disclosures.

## **Item 12 Brokerage Practices**

Brokers that we select to execute transactions may from time to time refer clients to our firm. Sheaff Brock Investment Advisors, LLC (the Firm) will not make commitments to any broker or dealer to compensate that broker or dealer through brokerage or dealer transactions for client referrals; however, a potential conflict of interest may arise between the client's interest in obtaining best price and execution and Sheaff Brock Investment Advisors, LLC's interest in receiving future referrals.

Sheaff Brock Investment Advisors, LLC conducts periodic soft-dollar reviews, analyzing price and commissions offered by the various brokers used and volume of client commissions directed to each broker. Moreover, we perform a qualitative ranking of all brokers used by interviewing and/or polling our trading staff.

Sheaff Brock Investment Advisors, LLC requires that clients provide us with written authority to determine the broker-dealer to use and the commission costs that will be charged to our clients for these transactions.

Clients must include any limitations on this discretionary authority in this written authority statement. Clients may change/amend these limitations as required. Such amendments must be provided to us in writing.

Sheaff Brock Investment Advisors, LLC will block trades where possible and when advantageous to clients. This blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts, so long as transaction costs are

shared equally and on a pro-rated basis between all accounts included in any such block.

Block trading may allow us to execute equity trades in a timelier, more equitable manner, at an average share price. Sheaff Brock Investment Advisors, LLC will typically aggregate trades among clients whose accounts can be traded at a given broker, and generally will rotate or vary the order of brokers through which it places trades for clients on any particular day. Sheaff Brock Investment Advisors, LLC's block trading policy and procedures are as follows:

- 1) Transactions for any client account may not be aggregated for execution if the practice is prohibited by or inconsistent with the client's advisory agreement with Sheaff Brock Investment Advisors, LLC, or our firm's order allocation policy.
- 2) The trading desk in concert with the portfolio manager must determine that the purchase or sale of the particular security involved is appropriate for the client and consistent with the client's investment objectives and with any investment guidelines or restrictions applicable to the client's account.
- 3) The portfolio manager must reasonably believe that the order aggregation will benefit, and will enable Sheaff Brock Investment Advisors, LLC to seek best execution for each client participating in the aggregated order. This requires a good faith judgment at the time the order is placed for the execution. It does not mean that the determination made in advance of the transaction must always prove to have been correct in the light of a "20-20 hindsight" perspective. Best execution includes the duty to seek the best quality of execution, as well as the best net price.
- 4) Prior to entry of an aggregated order, a written order ticket must be completed which identifies each client account participating in the order and the proposed allocation of the order, upon completion, to those clients.
- 5) If the order cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day must be allocated pro rata among the participating client accounts in accordance with the initial order ticket or other written statement of allocation. However, adjustments to this pro rata allocation may be made to participating client accounts in accordance with the initial order ticket or other written statement of allocation. Furthermore, adjustments to this pro rata allocation may be made to avoid having odd amounts of shares held in any client account, or to avoid excessive ticket charges in smaller accounts.
- 6) Generally, each client that participates in the aggregated order must do so at the average price for all separate transactions made to fill the order, and must share in the commissions on a pro rata basis in proportion to the client's participation. Under the client's agreement with the custodian/broker, transaction costs may be based on the number of shares traded for each client.
- 7) If the order will be allocated in a manner other than that stated in the initial statement of allocation, a written explanation of the change must be provided to and approved by the Chief Compliance Officer no later than the morning following the execution of the aggregate trade.

8) Sheaff Brock Investment Advisors, LLC's client account records separately reflect, for each account in which the aggregated transaction occurred, the securities which are held by, and bought and sold for, that account.

9) Funds and securities for aggregated orders are clearly identified on Sheaff Brock Investment Advisors, LLC's records and to the broker-dealers or other intermediaries handling the transactions, by the appropriate account numbers for each participating client.

10) No client or account will be favored over another.

Sheaff Brock Investment Advisors, LLC participates in the institutional advisor program (the "Program") offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC/NFA ("TD Ameritrade"), an unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers services to independent investment advisers services which include custody of securities, trade execution, clearance and settlement of transactions. Sheaff Brock Investment Advisors, LLC receives some benefits from TD Ameritrade through our participation in the program.

Sheaff Brock Investment Advisors, LLC participates in TD Ameritrade's Institutional customer program and we may recommend TD Ameritrade to our clients for custody and brokerage services. There is no direct link between our firm's participation in the program and the investment advice we give to our clients, although we receive economic benefits through our participation in the program that are typically not available to TD Ameritrade retail investors.

These benefits include the following products and services (provided without cost or at a discount): duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving adviser participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain Institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to Sheaff Brock Investment Advisors, LLC by third party vendors. TD Ameritrade may also pay for business consulting and professional services received by Sheaff Brock Investment Advisors, LLC's related persons and may also pay or reimburse expenses (including travel, lodging, meals and entertainment expenses) for Sheaff Brock Investment Advisors, LLC's personnel to attend conferences or meetings relating to the program or to TD Ameritrade's adviser custody and brokerage services generally.

Some of the products and services made available by TD Ameritrade through the program may benefit Sheaff Brock Investment Advisors, LLC but may not benefit our client accounts. These products or services may assist us in managing and administering client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help us manage and further develop our business enterprise. The benefits received by Sheaff Brock Investment Advisors, LLC or our personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. Clients should be aware, however, that the receipt of economic benefits by

Sheaff Brock Investment Advisors, LLC or our related persons in and of itself creates a potential conflict of interest and may indirectly influence our choice OR recommendation of TD Ameritrade for custody and brokerage services.

Advisor may receive client referrals from TD Ameritrade through its participation in TD Ameritrade AdvisorDirect. In addition to meeting the minimum eligibility criteria for participation in AdvisorDirect, Advisor may have been selected to participate in AdvisorDirect based on the amount and profitability to TD Ameritrade of the assets in, and trades placed for, client accounts maintained with TD Ameritrade. TD Ameritrade is a discount broker-dealer independent of and unaffiliated with Advisor and there is no employee or agency relationship between them. TD Ameritrade has established AdvisorDirect as a means of referring its brokerage customers and other investors seeking fee-based personal investment management services or financial planning services to independent investment advisors. TD Ameritrade does not supervise Advisor and has no responsibility for Advisor's management of client portfolios or Advisor's other advice or services. Advisor pays TD Ameritrade an on-going fee for each successful client referral. This fee is usually a percentage (not to exceed 25%) of the advisory fee that the client pays to Advisor ("Solicitation Fee"). Advisor will also pay TD Ameritrade the Solicitation Fee on any advisory fees received by Advisor from any of a referred client's family members, including a spouse, child or any other immediate family member who resides with the referred client and hired Advisor on the recommendation of such referred client. Advisor will not charge clients referred through AdvisorDirect any fees or costs higher than its standard fee schedule offered to its clients or otherwise pass Solicitation Fees paid to TD Ameritrade to its clients. For information regarding additional or other fees paid directly or indirectly to TD Ameritrade, please refer to the TD Ameritrade AdvisorDirect Disclosure and Acknowledgement Form. Advisor's participation in AdvisorDirect raises potential conflicts of interest. TD Ameritrade will most likely refer clients through AdvisorDirect to investment advisors that encourage their clients to custody their assets at TD Ameritrade and whose client accounts are profitable to TD Ameritrade. Consequently, in order to obtain client referrals from TD Ameritrade, Advisor may have an incentive to recommend to clients that the assets under management by Advisor be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade. In addition, Advisor has agreed not to solicit clients referred to it through AdvisorDirect to transfer their accounts from TD Ameritrade or to establish brokerage or custody accounts at other custodians, except when its fiduciary duties require doing so. Advisor's participation in AdvisorDirect does not diminish its duty to seek best execution of trades for client accounts.

TD Ameritrade provides the Additional Services to our firm in its sole discretion and at its own expense, and Sheaff Brock Investment Advisors, LLC does not pay any fees to TD Ameritrade for the Additional Services. Sheaff Brock Investment Advisors, LLC and TD Ameritrade have entered into a separate agreement ("Additional Services Addendum") to govern the terms of the provision of the Additional Services.

Sheaff Brock Investment Advisors, LLC's receipt of Additional Services raises potential conflicts of interest. In providing Additional Services to our firm, TD Ameritrade most likely considers the amount and profitability to TD Ameritrade of the assets in, and trades placed for, our client accounts maintained with TD Ameritrade. TD Ameritrade has the right to terminate the Additional Services Addendum with Sheaff Brock Investment Advisors, LLC, in

its sole discretion, provided certain conditions are met. Consequently, in order to continue to obtain the Additional Services from TD Ameritrade, we may have an incentive to recommend to our clients that the assets under management by us be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade. Sheaff Brock Investment Advisors, LLC's receipt of Additional Services does not diminish our duty to act in the best interests of our clients, including seeking best execution of trades for client accounts.

Registrant serves on the TD Ameritrade Institutional Advisor Panel ("Panel"). The Panel consists of independent investment advisors that advise TD Ameritrade Institutional ("TDA") on issues relevant to the independent advisor community. The Panel meets in person on average three to four times per year and conducts periodic conference calls on an as needed basis. Independent advisors are appointed to serve on the Panel for indefinite terms by TDA senior management. At times panel members are provided confidentiality agreements. TD Ameritrade, Inc. ("TD Ameritrade") does not compensate Panel members. However, TD Ameritrade pays or reimburses for the travel, lodging and meal expenses registrant incurs in attending panel meetings. The benefits received by registrant or its personnel by serving on the panel do not depend on the amount of brokerage transactions directed to TD Ameritrade. Clients should be aware, however, that the receipt of economic benefits by registrant or its related persons in and of itself creates a potential conflict of interest and may indirectly influence registrant's recommendation of TD Ameritrade for custody and brokerage services.

#### **SCHEDULE A** Additional Services

TD Ameritrade will provide or make available to Advisor the following Additional Services which are to be provided to Advisor in the form of \$73,000 annual economic benefit to be paid to the below service providers on behalf of the advisor.

- The proposed Additional Services to be provided to the advisor are in the form of payment not to exceed \$55,800 which is an economic benefit to be paid annually to Tamarac on behalf of the advisor.
  
- The proposed Additional Services to be provided to the advisor are in the form of payment not to exceed \$17,200 which is an economic benefit to be paid annually to Thomson Reuters on behalf of the advisor.

The above-referenced Additional Services being offered to the Advisor will be used in conjunction with the Advisor's investment advisory practice and are for the direct and/or indirect benefit of the Advisor's clients.

## AMENDMENT TO THE ADDITIONAL SERVICES ADDENDUM

THIS AMENDMENT, dated as of August 16, 2011 (the "Amendment") is entered into by and between Sheaff Brock Investment Advisors, LLC ("Advisor") and TD AMERITRADE Institutional, a division of TD AMERITRADE, Inc. ("TD AMERITRADE").

### RECITALS

WHEREAS, Advisor and TD Ameritrade have entered into that certain Additional Services Addendum, accepted June 13, 2008, to the Advisor Services Agreement dated October 24, 2001 and accepted on November 6, 2001;

WHEREAS, the Parties now desire to amend the Additional Services Addendum; and

WHEREAS, the Parties desire in all other respects to continue their obligations as set forth in the Additional Services Addendum and the Advisor Services Agreement.

NOW, THEREFORE, in consideration of the foregoing, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and intending to be legally bound hereby, Advisor and TD Ameritrade hereby agree as follows:

1. Section 6 of the Additional Services Addendum shall be amended and restated as follows:

Effective Date; Termination. This Addendum shall become effective upon its execution by the parties and shall continue in effect until the close of business on June 12, 2012. Thereafter, commencing on June 13, 2012 this Addendum shall automatically continue in effect for successive one-year terms, unless terminated by TD AMERITRADE upon 30 days' prior written notice to Advisor. Notwithstanding the foregoing, TD AMERITRADE may terminate this Addendum immediately upon written notice to Advisor (i) in the event that TD AMERITRADE determines, in its sole discretion, the financial profile of the Advisor's business as a client of TD AMERITRADE differs materially from that represented by Advisor in entering into the Advisor Services Agreement, (ii) in the event of a material breach of any provision of this Addendum by Advisor, or (iii) in the event that TD AMERITRADE determines, in its sole discretion, that any aspect of this Addendum may be prohibited by any applicable law or regulation

### **Item 13 Review of Accounts**

#### **INVESTMENT SUPERVISORY SERVICES ("ISS") INDIVIDUAL PORTFOLIO MANAGEMENT**

**REVIEWS:** While the underlying securities within Individual Portfolio Management Services accounts are continually monitored, these accounts are reviewed at least quarterly. Accounts are reviewed in the context of each client's stated investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables such as the client's

individual circumstances, or the market, political or economic environment.

These accounts are reviewed by: David S. Gilreath, Managing Director; Ron R. Brock, Managing Director; Jim McMahon, Senior Portfolio Manager; David Morton, Jody Alexander, Christy Lynch, Portfolio Consultants, Angie Reecer, Director of Client Services, Teri Kane, Senior Portfolio Administrator, Deb McCulley, Portfolio Administrator, or Walter Taggart, Trader and option portfolio reviewer. All reviewers have many years industry experience and/or a Series 65 or 66.

**REPORTS:** In addition to the monthly statements and confirmations of transactions that clients receive from their broker-dealer, we provide quarterly reports to all discretionary accounts summarizing account performance, balances, fees paid and holdings.

### **INVESTMENT SUPERVISORY SERVICES("ISS") MODEL PORTFOLIO MANAGEMENT SERVICE**

**REVIEWS:** While the underlying securities within Model Portfolio Management Services accounts are continually monitored, these accounts are modeled and the model is reviewed at least weekly. Accounts are invested and rebalanced in the context of the investment objectives and guidelines of each model portfolio as well as any investment restrictions provided by the client. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment.

The positions are monitored by the investment committee which includes: David S. Gilreath, Managing Director; Ron R. Brock, Managing Director; Jim McMahon, Senior Portfolio Manager; and David Morton, Portfolio Consultant, and Walter Taggart, Trader.

**REPORTS:** In addition to the monthly statements and confirmations of transactions that clients receive from their broker-dealer, we provide quarterly reports summarizing account performance, balances and holdings. These reports will also remind the client to notify us if there have been changes in the client's financial situation or investment objectives and whether the client wishes to impose investment restrictions or modify existing restrictions.

### **SELECTION and MONITORING of THIRD-PARTY MONEY MANAGERS**

**REVIEWS:** These client accounts should refer to the independent registered investment adviser's Firm Brochure (or other disclosure document used in lieu of the brochure) for information regarding the nature and frequency of reviews provided by that independent registered investment adviser.

Sheaff Brock Investment Advisors, LLC includes this data in performance reports on a quarterly basis. These accounts are reviewed by: Jim McMahon, Senior Portfolio Manager.

## **Item 14 Client Referrals and Other Compensation**

## CLIENT REFERRALS

Our firm may pay referral fees to independent persons or firms ("Solicitors") for introducing clients to us. Whenever we pay a referral fee, we require the Solicitor to provide the prospective client with a copy of this document (our *Firm Brochure*) and a separate disclosure statement that includes the following information:

- the Solicitor's name and relationship with our firm;
- the fact that the Solicitor is being paid a referral fee;
- the amount of the fee; and
- whether the fee paid to us by the client will be increased above our normal fees in order to compensate the Solicitor.

As a matter of firm practice, the advisory fees paid to us by clients referred by solicitors are not increased as a result of any referral.

## OTHER COMPENSATION

Our firm and/or our officers and representatives may be eligible to receive incentive awards (such as trips/conferences) for certain types of investment products that we recommend although any such award has been ancillary to our business and minor in nature.

While we endeavor at all times to put the interest of our clients first as part of our fiduciary duty, the possibility of receiving incentive awards creates a conflict of interest, and may affect the judgment of these individuals when making recommendations.

### Item 15 Custody

We previously disclosed in the "Fees and Compensation" section (Item 5) of this Brochure that our firm directly debits advisory fees from client accounts.

As part of this billing process, the client's custodian is advised of the amount of the fee to be deducted from that client's account. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period.

Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact us directly if they believe that there may be an error in their statement.

In addition to the periodic statements that clients receive directly from their custodians, we also send account statements directly to our clients on a quarterly basis. We urge our clients to carefully compare the information provided on these statements to ensure that all account

transactions, holdings and values are correct and current. Our firm does not have actual or constructive custody of client accounts.

## **Item 16 Investment Discretion**

Clients may hire us to provide discretionary asset management services, in which case we place trades in a client's account without contacting the client prior to each trade to obtain the client's permission.

Our discretionary authority includes the ability to do the following without contacting the client:

- determine the security to buy or sell; and/or
- determine the amount of the security to buy or sell

Clients give us discretionary authority when they sign a discretionary agreement with our firm, and may limit this authority by giving us written instructions. Clients may also change/amend such limitations by once again providing us with written instructions.

Sheaff Brock Investment Advisors, LLC requires that it be provided with written authority to determine which securities and the amounts of securities that are bought or sold in a client's account.

Clients give us discretionary investment authority when they sign a discretionary agreement with our firm, and may limit this authority by giving us written instructions. Clients may also change/amend such limitations by once again providing us with written instructions.

**Trade Error Policy** - Errors created in an advisory account must be corrected so as not to harm any client. The goal of error correction is to make the client "whole", regardless of the cost to Sheaff Brock Investment Advisors, LLC. We absorb all trade errors, losses and gains, from all advisory accounts.

## **Item 17 Voting Client Securities**

As a matter of firm policy, we do not vote proxies on behalf of clients. Therefore, although our firm may provide investment advisory services relative to client investment assets, clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets. Clients are responsible for instructing each custodian of the assets, to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets.

We do not offer any consulting assistance regarding proxy issues to clients.

### ***Item 18 Financial Information***

Under no circumstances do we require or solicit payment of fees in excess of \$1200 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

As an advisory firm as disclosed above, is not required to provide a copy of our firm's balance sheet, however we are required to disclose any financial condition that is reasonable likely to impair our ability to meet our contractual obligations. Sheaff Brock Investment Advisors, LLC has no additional financial circumstances to report.

Sheaff Brock Investment Advisors, LLC has not been the subject of a bankruptcy petition at any time during the past ten years.