

# Madison Avenue Securities, LLC

## Form ADV Part 3: Relationship Summary

### Introduction

Madison Avenue Securities, LLC ("MAS") is registered with the Securities and Exchange Commission ("SEC") as a Broker-Dealer and Registered Investment Adviser and is a member of the Financial Industry Regulatory Authority ("FINRA") and the Securities Investor Protection Corporation ("SIPC"). Brokerage and investment advisory services and fees differ and it is important for you to understand these differences. This Form CRS describes these differences and sets forth the nature of our relationship. Free and simple tools are available to research firms and financial professionals at [Investor.gov/CRS](http://Investor.gov/CRS), which also provides educational materials about broker-dealers, investment advisers, and investing.

### What investment services and advice can you provide me?

We offer investment advisory services, including portfolio management and financial planning to retail investors. We also offer brokerage services to retail investors, including buying and selling securities. You may choose to utilize our investment advisory services, our brokerage services, or a combination of the two. We do not offer any proprietary products, and we do not have a limited product shelf.

Our brokerage services have the following attributes.

- A variety of investment types may be recommended to you, including stocks, bonds, mutual funds, exchange traded funds ("ETFs"), options, structured products, real estate securities, annuity products, and other investments.
- We do not make investment decisions for you. We will make recommendations and you choose which investments, if any, to purchase or sell.
- We do not provide investment monitoring for brokerage accounts.
- We do not set an account minimum. However, investment companies with whom you have the option to work with may set their own minimums.

Our investment advisory services have the following attributes.

- A variety of investment types and services may be recommended to you, including stocks, bonds, mutual funds, exchange traded funds ("ETFs"), options, structured products, real estate securities, and other investments, as well as money management services whereby third-parties might manage a wide range of such investments for you.
- You may choose if you want us or designated third parties to make investment decisions for you.
- If you choose us, and not a third party, to manage an account for you, you may choose whether or not you wish to approve which investments to purchase or sell before we execute the transaction or if you would like us to make those decisions for you. The first of which is known as non-discretionary authority, the latter as discretionary authority.
- You may hire us to prepare a financial plan for you.
- We have the ability to provide investment monitoring, depending on the services and account type you select.
- There are typically minimum account size requirements to open an account. These can range from \$5,000 to \$100,000, depending on the type of account.

**For additional information**, please see our investor fee schedule at <http://www.mas-bd.com/investor-fee-schedule> and/or our ADV Part 2A Brochure at <http://www.mas-bd.com/>.

**Conversation Starters:** *Given my financial situation, should I choose an investment advisory service? Why or why not? How will you choose investments to recommend to me? What is your relevant experience, including your licenses, education and other qualifications? What do these qualifications mean?*

### What fees will I pay?

There are several ways you can choose to conduct business with us and the fees will vary, depending on the type of account you choose. The five broad ways you can choose to do business with us and their corresponding fees are as follows (you may choose to participate in more than one business line).

#### 1. Fee-Based Advisory Business with a MAS Investment Advisor Representative

At Madison, you have the choice to open an account where instead of paying a commission for transactions, you pay a fee based on a percentage of your account value. This type of account, known as a "fee-based account" includes a fee paid to MAS for services provided. The fees are typically billed quarterly and may range from 0.5% to 2.25% per year depending on a number of factors, including account size. In our fee-based accounts you will pay either the asset-based fee only (a "wrap fee"), or the asset-based fee plus transaction charges for activity in the account. Under a wrap fee program, the fee you pay us covers both our advisory services and the transaction fees imposed by the broker-dealer. Certain investments (mutual funds, for example) have underlying expenses, or expense ratios. Investments in these accounts will be held at the custodian we select.

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For more details about these types of accounts please refer to our ADV Brochure, Part 2A.

In addition to the fees described above, certain investments held within these accounts often have their own underlying fees and expenses, sometimes referred to as expense ratios. This is common with mutual funds and ETFs. The underlying fees can vary widely from investment to investment. In some investments the expense may be 0.5% or less per year while other investments may have expenses that are 2% or more per year. We encourage you to closely review and consider these fees when making your investment decisions.

Fee-based advisory business includes an ongoing obligation on our part to monitor your investments and to advise you about their performance, including advice as to if and when your advisory accounts are no longer in your best interest. Not all of our representatives are able to offer this type of account.

### 2. Fee-Based Advisory Business with a Third-Party Manager

In fee-based advisory accounts with a Third-Party Manager, you will open an account (or accounts) directly with a company which MAS has a contract (or selling agreement) for them to provide investment services to you. Your investment will almost always be held with a custodian. With certain Third-Party Managers, you are able to choose the custodian where you would like your investments held. With other Third-Party Managers, you are limited to the custodian the Manager chooses. In these accounts, you will pay a fee to the Third-Party Managers (and a portion of that fee will be shared with MAS) based on a percentage of the account value. The percentage you will pay will generally range from 1% to 2.5%. The fee may be higher or lower than this and will vary depending on a number of factors, including account size and the Manager chosen. You may pay additional fees with these accounts as well, including annual account fees, custodian fees, transaction fees, or account opening fees. Each Third-Party Manager is required to produce their own ADV Brochure Part 2A and all of their services, fees, and expenses will be described in the respective Brochure. We encourage you to review these documents before you open an account.

In addition to the fees described above, certain investments held within these accounts often have their own underlying fees and expenses, sometimes referred to as expense ratios. This is common with mutual funds and ETFs. The underlying fees can vary widely from investment to investment. In some investments the expense may be 0.5% or less per year while other investments may have expenses that are 2% or more per year. We encourage you to closely review and consider these fees when making your investment decisions.

Fee-based advisory business includes an ongoing obligation on our part to monitor your investments and to advise you about their performance, including advice as to if and when your advisory accounts are no longer in your best interest. Not all of our representatives are able to offer this type of account.

### 3. Brokerage Business

With brokerage business, you open an account or accounts with us through our clearing firm, Pershing LLC. In a brokerage account, you can buy and sell a wide variety of securities, like stocks, mutual funds, or ETFs, to name a few. In a brokerage account, you typically will pay a commission to us anytime you buy or sell an investment. Because we are paid a commission anytime you purchase or sell an investment, we have an incentive to encourage you to trade more often. You will also pay for other types of services in this type of account including costs for receiving paper statements, confirmation fees, and others. MAS retains a portion of these fees; therefore we have an interest in your maintaining these types of accounts. All fees associated with these accounts are described in detail in our investor fee schedule referenced above. In addition to the trading commissions, certain account types are subject to annual custodial fees, a portion of which MAS retains. Also, certain investments (mutual funds, for example) have underlying expenses, or expense ratios. We encourage you to review the MAS fee schedule for a listing of fees that may be applicable to brokerage accounts.

### 4. Direct Business with an investment issuer (also known as "Direct Business")

When you open a direct business account, you will be purchasing securities directly from the issuer. Common forms of direct business are mutual fund purchases, variable annuity purchases, or purchases of non-traded investments (such as non-traded real estate investment trusts or "REITs"). When you make these direct business purchases, it is brokerage business and we will receive a commission. As with all brokerage business, we do not provide investment monitoring services for these accounts. The commission rates typically range from 1% to 6% on mutual funds and variable annuities and from 5% to 7% on non-traded investments. Regardless of the investment you purchase, the commission or purchase charges will be detailed in the investment's prospectus or private placement memorandum ("PPM"). With certain investments, you will pay a commission to the investment issuer, (who will share all or a portion of that commission with us) reducing the amount of your investment that "goes to work" for you. For example, if there is a 5% front-end load on a mutual fund purchase, and you invest \$100, \$95 will go towards the investment and the remaining \$5 will pay the front-end load, or commission. This is common in mutual fund A-shares and non-traded investments. In other investment products, your entire purchase amount will be invested. This is common in variable annuities. In this scenario, the issuer of the securities will pay us a commission, but the commission is not coming directly out of your purchase amount. This does not mean that these investments do not have fees – they do. However, the fees are paid over time, and are typically reflected in the performance of the investment. Generally, with direct business, the greater the investment you make, the greater the commission we will receive. Therefore, a conflict exists because the more you invest, the more we are compensated. (Note that this does not typically mean that the commission rate, or percentage is higher, if you

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invest larger amounts. In some instances, the commission rate we receive is actually less if you invest larger amounts.)

In addition to the commissions described above, investments purchased by direct business almost always have underlying fees and expenses, sometimes referred to as expense ratios. The underlying fees can vary widely from investment to investment. In some investments the expense may be 0.5% or less per year while other investments may have expenses that are 2%, or even 3% or more per year. We encourage you to closely review the investment's prospectus or PPM to review these expenses.

### 5. Financial Planning Business

Instead of opening an investment account (or, often in addition to opening an account) you may also hire us to prepare a financial plan for you. The financial plan may be in the form of one or a combination of (1) an analysis of your investments, (2) a proposal for future investments, (3) a retirement income plan, or (4) many other types of plans. When we prepare one of these plans for you, we may charge you an hourly rate or a flat fee for the plan. We may also charge you an annual planning fee if your financial plan requires periodic updating. If you decide to purchase a financial plan, you will enter into a separate written agreement with us describing the services to be performed and the associated costs. For more details about financial planning fees please refer to our ADV Brochure, Part 2A. Not all of our representatives are able to offer this type of service.

**Additional Information:** You will pay fees and costs whether you make or lose money on your investments. Fees and costs will reduce any amount of money you make on your investments over time. Please make sure you understand what fees and costs you are paying. For additional information, please see our investor fee schedule at <http://www.mas-bd.com/investor-fee-schedule>. You may also refer to FINRA's Fund Analyzer website at [https://tools.finra.org/fund\\_analyzer/](https://tools.finra.org/fund_analyzer/) to learn about the expenses of mutual funds and exchange traded funds.

*Conversation Starters: Help me understand how these fees and costs might affect my investments. If I give you \$10,000 to invest, how much will go to fees and costs, and how much will be invested for me?*

**What are your legal obligations to me when providing recommendations as my broker-dealer or when acting as my investment adviser? How else does your firm make money and what conflicts of interest do you have?**

*When we provide you with a recommendation as your broker-dealer or act as your investment adviser, we have to act in your best interest and not put our interest ahead of yours. At the same time, the way we make money creates some conflicts with your interests. You should understand and ask us about these conflicts because they can affect the recommendations and investment advice we provide you. Here are some examples to help you understand what this means.*

Some third party companies that we work with provide us with additional benefits in exchange for recommending their products or services. These additional benefits include revenue sharing, technology, expense sharing, and recruiting resources, to name a few. Some third party companies that we work with provide none of these additional benefits.

MAS has marketing or "wholesaling" arrangements with certain insurance carriers to promote the carriers' variable annuity products. MAS receives financial incentives when our financial professionals sell products offered by these companies. These financial incentives are not shared with MAS financial professionals; however, financial professionals may recommend these variable annuity products over other products not otherwise part of MAS' wholesaling arrangement due to additional education MAS provides on these products. This creates a conflict of interest, which MAS mediates by monitoring each annuity purchase for suitability and to ensure it meets the firm's best interest standard.

*Conversation Starters: How might your conflicts of interest affect me, and how will you address them?*

**Additional Information:** For more information about our conflicts of interests and the ways we are compensated, please see *Item 5, Item 10, Item 12, and Item 14* of our *Form ADV Part 2A* and *Item 4 and Item 9* of our *Form ADV Part 2A: Appendix I* available at: <https://adviserinfo.sec.gov/>.

### **How do your financial professionals make money?**

Our financial professionals are compensated by MAS through commissions for selling investments, advisory fees for managing assets, financial planning fees for the preparation of financial plans, or a combination of the three.

Our financial professionals have a conflict when selling investments for a commission because they generally earn greater commissions the more you invest. Additionally, certain investments pay larger commissions than others, such as investments that require you to hold them for a longer period of time before you can access the funds without penalty, as opposed to smaller commissions typically associated with investments meant to be held for shorter periods. However, our financial professionals do not receive a higher commission rate or percentage if you invest larger amounts. Our financial professionals have a conflict of interest when managing assets for a fee because the earned fee is generally larger the larger the amount of assets they manage. Additionally, the portion of the commission or advisory fee that our financial professionals receive from Madison is typically greater if they produce a larger volume of business with MAS.

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Our financial professionals are also often compensated for sales activities that take place outside of their relationship with MAS. The most common example of this is the sale of life insurance or annuities where our financial professionals are compensated directly by insurance companies as insurance agents. Sometimes, our financial professionals may also earn “non-cash” compensation for sales of these insurance products, including vacations or other reward trips.

### **Do you or your financial professionals have legal or disciplinary history?**

**Yes.** You can look up more information about us and our financial professionals at <https://www.investor.gov/CRS>.

*Conversation Starters: As a financial professional, do you have any disciplinary history? For what type of conduct?*

### **Additional Information about MAS**

Additional information about us and copies of our Form ADV Part 2 and Appendix I disclosure brochures and this relationship summary are available on the Internet at [www.mas-bd.com](http://www.mas-bd.com). You can also find our disclosure brochures and other information about us at <https://adviserinfo.sec.gov/firm/summary/23224>. If you have any questions or want an up-to-date copy of this relationship summary, we can be reached by phone at (858) 207-1300.

*Conversation Starters: Who is my primary contact person? Is he or she a representative of an investment adviser or a broker-dealer? Who can I talk to if I have concerns about how this person is treating me?*