

# Disclosure Brochure

March 25, 2020

## **Flagship Harbor Advisors, LLC**

*SEC File Number: 801-71997*

*A Registered Investment Adviser*

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This brochure provides information about the qualifications and business practices of Flagship Harbor Advisors, LLC. If you have any questions about the contents of this brochure, please contact John P. Sawyer, III at [John.Sawyer@Flagshipharbor.com](mailto:John.Sawyer@Flagshipharbor.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 Flagship Harbor Advisors, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Flagship Harbor Advisors, LLC (hereinafter "Registrant") is an SEC registered investment adviser. Registration does not imply any level of skill or training.

## Item 2. Material Changes

Since the last Annual Amendment filed on March 27, 2019, there have been no material changes to the Disclosure Brochure. Certain non-material changes, however, have been made at Item 4 regarding financial planning, wrap programs, and educational seminars. Disclosure has been enhanced at Item 5 with respect to asset-based pricing. Item 8 has been amended to include additional disclosure regarding investment product risks and use of margin.

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## Item 4. Advisory Business

Registrant has been in business since December 2010. David Kaufman is the principal owner of Registrant. Registrant is an investment adviser providing financial planning, consulting, and investment management services. Prior to engaging Registrant to provide any of the foregoing investment advisory services, the client will be required to enter into one or more written agreements with Registrant setting forth the terms and conditions under which Registrant shall render its services (collectively the "Agreement"). Neither Registrant nor the client may assign the Agreement without the consent of the other party. Transactions that do not result in a change of actual control or management of Registrant shall not be considered an assignment.

### Investment Management and Wealth Management Services

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The Registrant can be engaged to manage all or a portion of a client's assets on a discretionary and/or non-discretionary basis.

Registrant primarily allocates its client's investment management assets, on a discretionary and/or a non-discretionary basis among Independent Managers (as defined below), mutual funds, exchange traded funds, individual debt and equity securities, real estate investment trusts (REITs), and structured notes in accordance with the investment objectives of the client. Registrant may also provide advice about any type of investment held in a client's portfolio. The client can determine to engage Registrant to provide discretionary investment advisory services on a wrap or non-wrap fee basis. (See discussion below). If a client determines to engage Registrant on a wrap fee basis, the client will pay a single fee for bundled services (i.e. investment advisory, brokerage, custody). The services included in a wrap fee agreement will depend upon each client's particular need. If the client determines to engage Registrant on a non-wrap fee basis, the client will select individual services on an unbundled basis, paying for each service separately (i.e. investment advisory, brokerage, custody). Registrant's annual investment advisory fee is based upon a percentage (%) of the market value of the assets placed under Registrant's management, generally between 0.25% and 2.0%. To the extent specifically requested by the client, Registrant will provide financial planning and related consulting services.

## Financial Planning and Consulting Services

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As noted above, Registrant may provide its clients with a broad range of comprehensive financial planning and consulting services (which may include non-investment related matters). These services include business planning, investments, insurance, retirement, education, estate planning, and tax and cash flow needs of the client.

In performing its services, Registrant shall not be required to verify any information received from the client or from the client's other professionals (e.g., attorney, accountant, etc.) and is expressly authorized to rely on such information. Registrant may recommend the services of itself, its Advisory Affiliates in their individual capacities as registered representatives of a broker-dealer, and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists if Registrant recommends its own services. The client is under no obligation to act upon any of the recommendations made by Registrant under a financial planning/consulting engagement and/or engage the services of any such recommended professional, including Registrant itself. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any of Registrant's recommendations. Moreover, each client is advised that it remains his/her/its responsibility to promptly notify Registrant if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing, evaluating, or revising Registrant's previous recommendations and/or services. **Please Note:** If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. At all times, the engaged licensed professional[s] (i.e. attorney, accountant, insurance agent, etc.), and not the Registrant, shall be responsible for the quality and competency of the services provided.

## Non-Wrap Fee Basis

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The client can determine to engage Registrant to provide discretionary and/or non-discretionary investment advisory services on a fee basis. Registrant's annual investment advisory fee shall be based upon a percentage (%) of the market value and type of assets placed under Registrant's management, generally between 0.25% and 2.0% (See Fee Differential disclosure below)

## Sponsor and Manager of the Flagship Harbor Advisors Wrap Fee Program

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Registrant is the sponsor and manager of the Flagship Harbor Advisors Wrap Program (the "Program"), a wrap fee program. In the event the client participates in the Program, Registrant shall provide its investment

management services and arrange for brokerage transactions under a single annualized fee. For participants in the Program, Registrant shall charge an annual fee based upon a percentage of the market value of the assets being managed by Registrant that includes all commissions or transaction fees which otherwise would be incurred by the client. Participants in the Program may pay a higher aggregate fee than if investment management and brokerage services are purchased separately. A complete description of the Program's terms and conditions (including fees) is contained in the Program's wrap fee brochure. There are no material differences between Registrant managed wrap accounts and other accounts. The wrap relationship exists primarily because of the preference of some clients to not be subject to separate transaction charges. Conflict of Interest: Because wrap program transaction fees and/or commissions are being paid by Registrant to the account custodian/broker-dealer, Registrant could have an economic incentive to maximize its compensation by seeking to minimize the number of trades in the client's account. See separate Wrap Fee Program Brochure. Registrant's Chief Compliance Officer, John P. Sawyer, III, remains available to address any questions that a client or prospective client may have regarding a wrap fee arrangement and the corresponding conflict of interest. Although the single wrap fee is inclusive of trade execution, custody, reporting, and Registrant's investment management fees, clients may incur additional fees as set forth below. The current annual Program fee ranges from 0.25% and 2.0%, depending upon the amount and type of the Program assets.

LPL Financial serves as the custodian for Program accounts.

Conflict of Interest: Because wrap program transaction fees and/or commissions are being paid by Registrant to the account custodian/broker-dealer, Registrant could have an economic incentive to maximize its compensation by seeking to minimize the number of trades in the client's account. See separate Wrap Fee Program Brochure for Program assets. Registrant's Chief Compliance Officer, John P. Sawyer, III, remains available to address any questions that a client or prospective client may have regarding a wrap fee arrangement and the corresponding conflict of interest.

As also indicated in the Wrap Fee Program Brochure, the Program fee charged by Registrant for participation in the Program may be higher or lower than those charged by other sponsors of comparable wrap fee programs. All prospective Program participants should read both Registrant's Brochure and the Wrap Fee Program Brochure, which collectively set forth the terms and conditions for program participation and ask any corresponding questions that they may have, prior to participation in the Program. Registrant's annual investment advisory services shall include investment advisory services, and, to the extent specifically requested by the client, financial planning and consulting services. In the event that the client requires extraordinary planning and/or consultation services (to be determined in the sole

discretion of the Registrant), the Registrant may determine to charge for such additional services, the dollar amount of which shall be set forth in a separate written notice to the client

Please Also Note: The investment management fee charged by any Independent Manager[s] is separate from, and in addition to, Registrant's wrap advisory fee. That is, the investment management fees charged by the designated Independent Manager(s), together with the fees charged by the corresponding designated broker-dealer/custodian of the client's assets, are exclusive of, and in addition to, Registrant's ongoing investment advisory fee. Fees charged by Registrant pursuant to the use of Independent Manager(s) may be either in advance or arrears depending upon the specific Independent Manager relationship, and will be disclosed to the client at the point of entering into the advisory relationship.

Wrap Program-Conflict of Interest. With respect to certain accounts, Registrant has entered into an Asset Based Pricing ("ABP") arrangement with LPL Financial, which covers all program transaction fees, including ticket charges, commissions, and other charges for trading and custody. Because LPL's ABP fee is based on a percentage of the value of all program assets other than assets invested or held in cash, money market funds, non-transaction fee mutual funds, and commission-free exchange traded funds (collectively the "Non-ABP-Funds"), a conflict of interest exists as Registrant has an economic incentive to allocate or re-allocate program clients assets into Non-ABP-Funds to reduce its overall costs under the ABP arrangement.

### **Financial Planning and Consulting Services (Stand-Alone)**

As noted above, Registrant may be engaged to provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone separate fee basis. Registrant's planning and consulting fees are negotiable, but generally range from \$300 to \$15,000 on a fixed fee basis, and from \$100 to \$300 on an hourly rate basis, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s). Prior to engaging Registrant to provide planning or consulting services, clients are generally required to enter into a *Financial Planning and Consulting Agreement* with Registrant setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the client prior to Registrant commencing services. If requested by the client, Registrant may recommend the services of other professionals for implementation purposes, including certain of Registrant's representatives in their individual capacities as registered representatives of LPL Financial ("*LPL*") and/or in their capacities as licensed insurance agents. (**See** disclosure below at Items 10.C below). The client is under no obligation to engage the services of any such recommended professionals. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from Registrant. Please Note: If the client engages any such recommended professional, and a dispute arises thereafter relative to such

engagement, the client agrees to seek recourse exclusively from and against the engaged professional. If, and when, Registrant is involved in a specific matter (i.e. estate planning, insurance, accounting-related engagement, etc.), it is the engaged licensed professionals (i.e. attorney, accountant, insurance agent, etc.), and not Registrant that is responsible for the quality and competency of the services provided. Please Also Note: It remains the client's responsibility to promptly notify Registrant if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising Registrant's previous recommendations and/or services.

## **Retirement Plan Consulting Services**

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Registrant provides various consulting services to qualified employee benefit plans and their fiduciaries. This suite of institutional services is designed to assist plan sponsors in structuring, managing and optimizing their corporate retirement plans. Each engagement is individually negotiated and customized, and may include any or all of the following services:

- Plan Design and Strategy
- Plan Review and Evaluation
- Executive Planning & Benefits
- Investment Selection
- Plan Fee and Cost Analysis
- Plan Committee Consultation
- Fiduciary and Compliance
- Participant Education

As disclosed in the Advisory Agreement, certain of the foregoing services are provided by Registrant as a fiduciary under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). In accordance with ERISA Section 408(b)(2), each plan sponsor is provided with a written description of Registrant's fiduciary status, the specific services to be rendered and all direct and indirect compensation Registrant reasonably expects under the engagement.

## **Miscellaneous**

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Variable Annuity Management: Registrant may also render discretionary investment management services to clients relative to variable annuity products that they may own. In so doing, Registrant directs the allocation of client assets among the various mutual fund sub-divisions which comprise the variable annuity product based upon the investment objectives of the client.

Limitations of Financial Planning and Non-Investment Consulting/Implementation Services: As indicated above, to the extent requested by a client, Registrant may provide financial planning and related consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. Registrant does not serve as an attorney or accountant, and no portion of its services should be construed



as legal or accounting services. Neither the Registrant nor its investment adviser representatives assist clients with the implementation of any financial plan, unless they have agreed to do so in writing. Accordingly, Registrant does not prepare estate planning documents or tax returns. In addition, the Registrant does not monitor a client's financial plan, and it is the client's responsibility to revisit the financial plan with the Registrant, if desired. To the extent requested by a client, Registrant may recommend the services of other professionals for certain non-investment implementation purpose (i.e. attorneys, accountants, insurance agents, etc.), including representatives of Registrant in their separate individual capacities as representatives of LPL Financial, a FINRA member broker-dealer ("LPL") and/or as licensed insurance agents. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from Registrant and/or its representatives. Please Note: If the client engages any recommended unaffiliated professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. At all times, the engaged licensed professional[s] (i.e. Attorney, accountant, insurance agent, etc.), and not Registrant, shall be responsible for the quality and competency of the services provided. Please Also Note-Conflict of Interest: The recommendation by Registrant's representative that a client purchase a securities or insurance commission product through Registrant's representative in their separate and individual capacity as a registered representative of LPL and/or as an insurance agent, presents a conflict of interest, as the receipt of commissions may provide an incentive to recommend investment or insurance products based on commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase any securities or insurance commission products through such a representative. Clients are reminded that they may purchase securities and insurance products recommended by Registrant through other, non-affiliated broker-dealers and/or insurance agents. Registrant's Chief Compliance Officer, John P. Sawyer, III, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.

MoneyGuidePro/eMoney Advisor Platform: Registrant may provide its clients with access to an online platform hosted by MoneyGuidePro ("MoneyGuide") or by eMoney/Wealth Vision ("eMoney"). Moneyguide and eMoney are software products that Registrant pays for entirely. The client does not pay for this subscription. The MoneyGuide and eMoney platforms allow a client to view their complete asset allocation, including those assets that Registrant does not manage (the "Excluded Assets"). Registrant does not provide investment management, monitoring, or implementation services for the Excluded Assets. Therefore, Registrant shall not be responsible for the investment performance of the Excluded Assets. Rather, the client and/or their advisor(s) that maintain management authority for the Excluded Assets, and not Registrant, shall be exclusively responsible for such investment performance. The client may choose

to engage Registrant to manage some or all of the Excluded Assets pursuant to the terms and conditions of an Investment Advisory Agreement between Registrant and the client. The MoneyGuide and eMoney platforms also provide access to other types of information, including financial planning concepts, which should not, in any manner whatsoever, be construed as services, advice, or recommendations provided by Registrant. Finally, Registrant shall not be held responsible for any adverse results a client may experience if the client engages in financial planning or other functions available on the MoneyGuide or eMoney platforms without Registrant's assistance or oversight.

Unaffiliated Private Investment Funds: Registrant may provide investment advice regarding unaffiliated private investment funds. Registrant, on a non-discretionary basis, may also recommend that certain qualified clients consider an investment in unaffiliated private investment funds. Registrant's role relative to the private investment funds shall be limited to its initial and ongoing due diligence and investment monitoring services. If a client determines to become a private fund investor, the amount of assets invested in the fund(s) shall be included as part of "assets under management" for purposes of Registrant calculating its investment advisory fee. Registrant's clients are under absolutely no obligation to consider or make an investment in a private investment fund(s).

Please Note: Private investment funds generally involve various risk factors, including, but not limited to, potential for complete loss of principal, liquidity constraints and lack of transparency, a complete discussion of which is set forth in each fund's offering documents, which will be provided to each client for review and consideration. Unlike liquid investments that a client may own, private investment funds do not provide daily liquidity or pricing. Each prospective client investor will be required to complete a Subscription Agreement, pursuant to which the client shall establish that he/she is qualified for investment in the fund, and acknowledges and accepts the various risk factors that are associated with such an investment.

Valuation: In the event that Registrant references private investment funds owned by the client on any supplemental account reports prepared by Registrant, the value(s) for all private investment funds owned by the client shall reflect the most recent valuation provided by the fund sponsor. However, if subsequent to purchase, the fund has not provided an updated valuation, the valuation shall reflect the initial purchase price. If subsequent to purchase, the fund provides an updated valuation, then the statement will reflect that updated value. The updated value will continue to be reflected on the report until the fund provides a further updated value. Please Also Note: As result of the valuation process, if the valuation reflects initial purchase price or an updated value subsequent to purchase price, the current value(s) of an investor's fund holding(s) could be significantly more or less than the value reflected on the report. Unless otherwise indicated, the client's advisory fee shall be based upon the value reflected on the report.

Fee Dispersion: As indicated above, Registrant shall receive an investment advisory fee based upon a percentage (percentage) of the market value of the assets placed under management. The range shall generally be from 0.25% to 2.0%. Please see the program fees schedules set forth below at Item 5.A However, fees may vary depending upon various objective and subjective factors, including but not limited to: the representative assigned to the account, the amount of assets to be invested, the complexity of the engagement, the anticipated number of meetings and servicing needs, related accounts, future earning capacity, anticipated future additional assets, and negotiations with the client. As a result, similar clients could pay different fees, which will correspondingly impact a client's net account performance. Moreover, the services to be provided by Registrant to any particular client could be available from other advisers at lower fees. All clients and prospective clients should be guided accordingly. Since Registrant's representative shall receive a portion of the advisory fee charged to the client, a material conflict of interest arises, because an increase in the management fee paid by the client may result in increased compensation received by Registrant's representative. Registrant's Chief Compliance Officer, John P. Sawyer, III, remains available to address any questions that a client or prospective client may have regarding the above fee disparity, impact on account performance, and conflict of interest.

Investment Risk: Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by Registrant) will be profitable or equal any specific performance level(s).

Retirement Rollovers-Conflict of Interest: A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). If Registrant recommends that a client roll over their retirement plan assets into an account to be managed by Registrant, such a recommendation creates a conflict of interest if Registrant will earn new (or increase its current) compensation as a result of the rollover. No client is under any obligation to rollover retirement plan assets to an account managed by Registrant. Registrant's Chief Compliance Officer, John P. Sawyer, III remains available to address any questions that a client or prospective client may have regarding the conflict of interest presented by such rollover recommendation.

Use of Mutual Funds and Exchange Traded Funds: While Registrant may recommend allocating investment assets to mutual funds and exchange traded funds that are not available directly to the public, Registrant may also recommend that clients allocate investment assets to publicly-available mutual funds and exchange traded funds that the client could obtain without engaging Registrant as an investment adviser. However, if a client or prospective client determines to allocate investment assets to publicly-available mutual funds or exchange traded funds without engaging Registrant as an investment adviser, the client or prospective client would not receive the benefit of Registrant's initial and ongoing investment advisory services. Please Note: In addition to Registrant's investment advisory fee described below, and transaction and/or custodial fees discussed below, clients will also incur, relative to all mutual fund and Exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses). Registrant's Chief Compliance Officer, John P. Sawyer III, remains available to address any questions that a client or prospective client may have regarding the above. Please Note-Use of DFA Mutual Funds: Other mutual funds, such as those issued by Dimensional Fund Advisors ("DFA"), are generally only available through selected registered investment advisers. Registrant may allocate client investment assets to DFA mutual funds. Therefore, upon the termination of Registrant's services to a client, restrictions regarding transferability and/or additional purchases of, or reallocation among DFA funds will apply.

Structured Notes: Registrant may purchase structured notes for client accounts. A structured note is a financial instrument that combines two elements, a debt security and exposure to an underlying asset or assets. It is essentially a note, carrying counter party risk of the issuer. However, the return on the note is linked to the return of an underlying asset or assets (such as the S&P 500 Index or commodities). It is this latter feature that makes structured products unique, as the payout can be used to provide some degree of principal protection, leveraged returns (but usually with some cap on the maximum return), and be tailored to a specific market or economic view. In addition, investors may receive long-term capital gains tax treatment if certain underlying conditions are met and the note is held for more than one year. Finally, structured notes may also have liquidity constraints, such that the sale thereof before maturity may be limited.

Portfolio Activity: Registrant has a fiduciary duty to provide services consistent with the client's best interest. As part of its investment advisory services, Registrant will review client portfolios on an ongoing basis to determine if any changes are necessary based upon various factors, including, but not limited to, investment performance, fund manager tenure, style drift, account additions/withdrawals, and/or a change in the client's investment objective. Based upon these factors, there may be extended periods of time when Registrant determines that changes to a client's portfolio are neither necessary nor prudent. Of course, as indicated below, there can be no assurance that investment decisions made by Registrant will be profitable or equal

any specific performance level(s). Clients nonetheless remain subject to the fees described in Item 5 below during periods of account inactivity.

Cash Balances: At any specific point in time, depending upon perceived or anticipated market conditions/events (there being no guarantee that such anticipated market conditions/events will occur), Registrant may maintain cash positions for defensive purposes. All cash positions (money markets, etc.) shall be included as part of assets under management for purposes of calculating Registrant's advisory fee. Registrant's Chief Compliance Officer, John P. Sawyer III, remains available to address any questions that a client or prospective may have regarding the above fee billing practice.

Educational Seminars: Certain of Registrant's investment adviser representatives may host educational seminars addressing financial planning or investment topics on an infrequent and limited basis. Registrant and its investment adviser representatives may be compensated in exchange for this service.

Separately Managed Accounts - Independent Managers: Registrant may allocate (and/or recommend that the client allocate) a portion of a client's investment assets among unaffiliated separately managed accounts ("SMAs") and/or independent investment managers in accordance with the client's designated investment objective(s). In such situations, the SMA or independent investment managers shall have day-to-day responsibility for the active discretionary management of the allocated assets. The Registrant shall continue to render investment supervisory services to the client relative to the ongoing monitoring and review of account performance, asset allocation and client investment objectives. Factors which Registrant shall consider in recommending SMAs or independent investment managers include the client's designated investment objective(s), management style, performance, reputation, financial strength, reporting, pricing, and research.

When selecting an Independent Manager for a client, Registrant shall review information about the Independent Manager(s) such as its disclosure statement and/or material supplied by the Independent Manager(s) or independent third parties for a description of the Independent Manager's investment strategies, past performance and risk results to the extent available. Factors that Registrant shall consider in selecting Independent Manager(s) include the client's stated investment objective(s), management style, performance, reputation, financial strength, reporting, pricing, and research. The investment management fees charged by the designated Independent Manager(s), together with the fees charged by the wrap fee program sponsor and corresponding designated broker-dealer/custodian of the client's assets, may be exclusive of, and in addition to, Registrant's investment advisory fee set forth above. As discussed above, the client may incur additional fees than those charged by Registrant, the designated Independent Manager(s), wrap fee program

sponsor (if applicable), and corresponding broker-dealer and custodian.

In addition to Registrant's written disclosure statement, the client shall also receive the written disclosure statement of the designated Independent Manager(s) and wrap fee program sponsor (if applicable). Certain Independent Manager(s) impose more restrictive account requirements and varying billing practices than Registrant. In such instances, Registrant may alter its corresponding account requirements and/or billing practices to accommodate those of the Independent Manager(s) or wrap fee program sponsor.

If Registrant refers a client to certain Independent Manager(s) where Registrant's compensation is included in the advisory fee charged by such Independent Manager(s) and the client engages those Independent Manager(s), Registrant shall be compensated for its services by receipt of a fee to be paid directly by the Independent Manager(s) to Registrant in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, as amended, and any corresponding state securities laws, rules, regulations, or requirements. Any such fee shall be paid solely from the Independent Manager(s) investment management fee or the program fee of the wrap fee program (as appropriate), and shall not result in any additional charge to the client.

In addition to the foregoing, clients may, in writing, place reasonable limitations upon Registrant's discretionary authority. The investment strategy may involve an above-average portfolio turnover that could negatively impact upon the net after-tax gain experienced by an individual client. Securities in the investment strategy are usually exchanged and/or transferred without regard to a client's individual tax ramifications. Certain investment opportunities that become available to Registrant's clients may be limited. For example, various mutual funds may limit the ability of Registrant to buy, sell, exchange or transfer securities consistent with its investment strategy. As further discussed in response to Item 12B (below), in order to meet its fiduciary duties to all of its clients, Registrant will endeavor to allocate investment opportunities among its clients on a fair and equitable basis. Participation in Registrant's investment strategy carries additional risk to clients in that a mutual fund may unilaterally restrict and/or prohibit Registrant's trading activities thus prohibiting it from managing the assets consistent with the investment strategy.

Client Obligations: In performing its services, Registrant shall not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely thereon. Moreover, each client is advised that it remains their responsibility to promptly notify Registrant if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising Registrant's previous recommendations and/or services.

Disclosure Statement: A copy of Registrant's written Brochure as set forth on Part 2A of Form ADV, along with the Firm's Part 2A Appendix 1 (Wrap Fee Program Brochure) as applicable, shall be provided to each client prior to, or contemporaneously with, the execution of the Investment Advisory Agreement, Financial Planning and Consulting Agreement, or the Retirement Plan Services Agreement.

It is Registrant's practice to tailor its advisory services to the individual needs of clients. Registrant will ensure that each client's investments are suitable for that client and consistent with their investment needs, goals, objectives and risk tolerance as well as any restrictions requested by the client.

Clients shall have the ability to impose reasonable restrictions on the management of their account, including the ability to instruct Registrant not to purchase certain securities or types of securities.

Registrant's clients are advised to promptly notify Registrant if there are ever any changes in their financial situation or investment objectives or if they wish to impose any reasonable restrictions upon Registrant's management services.

## **Wrap Program Participation**

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There is no significant difference between how Registrant manages wrap fee accounts and non-wrap fee accounts. However, as stated above, if a client determines to engage Registrant on a wrap fee basis the client will pay a single fee for bundled services (i.e. investment advisory, brokerage, custody) (See Item 4.B). The services included in a wrap fee agreement will depend upon each client's particular need. If the client determines to engage Registrant on a non-wrap fee basis the client will select individual services on an unbundled basis, paying for each service separately (i.e. investment advisory, separate account manager fees, brokerage, custody, etc.). Wrap Program - Conflict of Interest: Under Registrant's wrap program, the client generally receives investment advisory services, the execution of securities brokerage transactions, custody and reporting services for a single specified fee. Participation in a wrap program may cost the client more or less than purchasing such services separately. The terms and conditions of a wrap program engagement are more fully discussed in Registrant's Wrap Fee Program Brochure. Conflict of Interest: Because wrap program transaction fees and/or commissions are being paid by Registrant to the account custodian/broker-dealer, Registrant could have an economic incentive to maximize its compensation by seeking to minimize the number of trades in the client's account. See separate Wrap Fee Program Brochure. Registrant's Chief Compliance Officer, John P. Sawyer, III, remains available to address

any questions that a client or prospective client may have regarding a wrap fee arrangement and the corresponding conflict of interest.

As of December 31 2019, Registrant had \$ 1,627,827,337 in assets under management, all of which were managed on a discretionary basis.

### **Additions from and Withdrawals to Accounts**

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Clients may make additions to and withdrawals from their account at any time, subject to Registrant's right to terminate an account. Clients may withdraw account assets on notice to Registrant, subject to the usual and customary securities settlement procedures. However, Registrant designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives.

## **Item 5. Fees and Compensation**

Registrant, depending upon the engagement, offers its services on a fee basis which may include hourly and/or fixed fees as well as fees based upon assets under management. Alternatively, certain of Registrant's *Advisory Affiliates* offer securities brokerage services under a commission arrangement, which may be used to offset Registrant's fees (as discussed below).

### **Wrap Fee Program**

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If a client determines to engage Registrant to provide investment management services on a wrap fee basis in accordance with Registrant's Program, the services offered under, and the corresponding terms and conditions pertaining to, the Program are discussed in the Wrap Fee Program Brochure, a copy of which is presented to all prospective Program participants. Under the Program, Registrant is able to offer participants discretionary or non-discretionary investment management services, for a single specified annual Program fee, inclusive of trade execution, custody, reporting, and investment management fees. Registrant shall receive as payment for its investment advisory services, the balance of the wrap fee after all other costs incorporated into the wrap fee have been deducted. Participation in a wrap program may cost the client more or less than purchasing such services separately. The terms and conditions of a wrap program engagement are more fully discussed in Registrant's Wrap Fee Program Brochure.

Conflict of Interest: Because wrap program transaction fees and/or commissions are being paid by Registrant to the account custodian/broker-dealer, Registrant could have an economic incentive to maximize its compensation by seeking to minimize the number of trades in the client's account. See



separate Wrap Fee Program Brochure. The current annual Program fee range is negotiable to a maximum annual management fee of 0.25% to 2.0%, depending upon the amount and type of the Program assets. Certain costs, such as IRA and check writing fees may be charged separately. Registrant shall deduct fees and/or bill clients quarterly in advance, based upon the market value of the assets on the last business day of the previous quarter. Registrant, in its sole discretion, may charge a lesser advisory fee and/or reduce or waive its minimum fee based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.)

### **Non-Wrap Fee Basis**

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The client can determine to engage Registrant to provide discretionary and/or nondiscretionary investment advisory services on a fee basis. Registrant's annual investment advisory fee shall be based upon a percentage (%) of the market value and type of assets placed under Registrant's management, generally between 0.25% and 2.0%. Registrant's annual investment advisory fee shall be based upon various objective and subjective factors, including, but not limited to, the amount of the assets placed under Registrant's direct management, the complexity of the engagement, and the level and scope of the overall investment advisory services to be rendered. (See also Fee Differential discussion above.) Before engaging Registrant to provide investment advisory services, clients are required to enter into a discretionary Investment Advisory Agreement, setting forth the terms and conditions of the engagement (including termination), which describes the fees and services to be provided.

Fee Differentials: If the client determines to engage Registrant to provide investment advisory services, Registrant's annual investment advisory fee shall vary (generally, up to 2.0 %) based upon various factors, including the total amount of assets placed under management/advisement. Because we shall generally price our advisory services based upon various objective and subjective factors, our clients could pay diverse fees based upon a combination of factors, including but not limited to the representative assigned to the account, the market value of their assets to be invested, the complexity of the engagement, the level and scope of the overall investment advisory services to be rendered, related accounts and negotiations, similarly situated clients could pay diverse fees, and the services to be provided by Registrant to any particular client could be available from other advisers at lower fees (Also See Item 7 below). All clients and prospective clients should be guided accordingly. ANY QUESTIONS: Registrant's Chief Compliance Officer, John P. Sawyer, III, remains available to address any questions regarding Fee Differentials.

Billing: Clients have the option of having fees automatically deducted from their accounts, billed to them directly, or a combination of the two options. Clients may change their method of payment at any time. Both Registrant's Investment Advisory Agreement and the custodial/clearing agreement may authorize the custodian to debit the account for the amount of Registrant's investment advisory fee and to directly remit that management fee to Registrant in compliance with regulatory procedures. In the limited event that Registrant bills the client directly, payment is due upon receipt of Registrant's invoice. Registrant shall deduct fees and/or bill clients quarterly in advance, based upon the market value of the assets on the last business day of the previous quarter.

Expenses/Other Fees: Fees in Registrant's Wrap Fee Program are inclusive of brokerage commissions, transaction fees, and other related costs and expenses that shall not be incurred by the client. Clients may incur certain charges imposed by custodians, brokers and other third parties, such as custodial fees, deferred sales charges, or wire transfer or electronic transfer fees. Custodians may charge transaction fees on purchases or sales of certain no-load mutual funds and exchange-traded funds. These transaction charges are usually small and incidental to the purchase or sale of a security. Mutual funds generally charge an internal management fee (expense ratio), which is disclosed in the fund's prospectus. Registrant does not receive any portion of these commissions, fees and costs. Clients may also incur additional fees while working with their other professional advisors (e.g., attorneys, accountants, etc.).

Asset-Based Fees versus Transaction-Based Fee in the Wrap Programs: Custodians such as LPL are compensated for their services which include, but are not limited to execution, custody and reporting. LPL can charge a fixed percentage fee for its services based upon the dollar amount of the assets placed in its custody and/or on their platform (for example: if LPL was to charge an annual percentage of the market value of the client assets in its custody, the fee would include the execution of all account transactions). This is referred to as an "Asset-Based Fee." In the alternative, rather than a fixed percentage fee based upon the market value of the assets in its custody, LPL could charge a separate fee for the execution of each transaction. This is referred to as a "Transaction-Based Fee." Under a Transaction Based fee, the amount of total fees charged to the client account for trade execution will vary depending upon the number of transactions that are placed for the account. Because Registrant cannot predict the markets and the amount of trading that will occur in a client account, Registrant generally favors Asset-Based pricing within its wrap program offering because it will fix the amount of the fee paid in relation to trade execution, regardless of the number of transactions that are placed for the account. However, Registrant, on an annual basis, will conduct a sampling to confirm its belief (given the inability to predict the markets and the corresponding amount of trading that will occur) that Asset-Based pricing continues to be beneficial for its clients.

Termination of Agreement: Either a client or Registrant may terminate our relationship at any time. Any prepaid, unearned fees will be promptly refunded and prorated as of the date we were notified of the termination. Refunds will generally be of the same method as payment. Any earned, unpaid fees will be immediately due. We reserve the right to terminate any engagement where a client has willfully concealed or has refused to provide pertinent information about his/her financial situation when necessary and appropriate, in Registrant's judgment, to providing proper advice.

## **Financial Planning and Consulting Fees**

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Registrant will charge a fixed fee and/or hourly fee for financial planning and consulting services. These fees are negotiable, but generally range from \$300 to \$15,000 on a fixed fee basis and/or from \$100 to \$300 on an hourly rate basis, depending upon the level and scope of the services and the professional rendering the financial planning and/or the consulting services. If the client engages Registrant for additional investment advisory services, Registrant may offset all or a portion of its fees for those services based upon the amount paid for the financial planning and/or consulting services.

Prior to engaging Registrant to provide financial planning and/or consulting services, the client will generally be required to enter into a written agreement with Registrant setting forth the terms and conditions of the engagement and describing the scope of the services to be provided and the portion of the fee that is due from the client prior to Registrant commencing services. Generally, Registrant requires one-half of the financial planning / consulting fee (estimated hourly or fixed) payable upon entering the written agreement. The balance is generally due upon delivery of the financial plan or completion of the agreed upon services. For clients who engage Registrant for ongoing financial planning services, Registrant shall prorate the fee and charge it quarterly in advance.

Either party may terminate the agreement by written notice to the other. In the event the client terminates Registrant's financial planning and/or consulting services, the balance of Registrant's unearned fees (if any) shall be refunded to the client. If termination occurs within five business days of entering into an agreement for such services, the client shall be entitled to a full refund.

## **Retirement Plan Consulting Fees**

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Registrant charges a fixed project-based fee to provide clients with retirement plan consulting services. Each engagement is individually negotiated and tailored to accommodate the needs of the individual plan sponsor, as memorialized in the Agreement. These fees vary, based on the scope of the services to be rendered, and may range up to \$75,000 per annum for highly complex and involved engagements. In those

situations, where Registrant has agreed to manage a plan's assets, Registrant may also charge an annual asset-based fee between 15 and 100 basis points (0.15% – 1.00%), depending upon the amount of assets to be managed.

### **Fees Charged by Financial Institution**

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As further discussed in response to Item 12 (below), Registrant shall recommend that clients utilize the brokerage and clearing services of LPL Financial ("LPL") for investment management accounts.

Registrant may only implement its investment management recommendations after the client has arranged for and furnished Registrant with all information and authorization regarding accounts with appropriate financial institutions. Financial institutions shall include, but are not limited to, LPL, any other broker-dealer recommended by Registrant, broker-dealer directed by the client, trust companies, banks etc. (collectively referred to herein as the "Financial Institution(s)"). LPL charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e. transaction fees are charged for certain no-load mutual funds, commissions are charged for certain individual equity and fixed income securities transactions). In addition to Registrant's investment management fee, brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses). Please Note: The brokerage commissions and/or transaction fees charged by LPL may be higher or lower than those charged by other broker-dealers/custodians.

Clients may incur certain charges imposed by the Financial Institution(s) and other third parties such as fees charged by Independent Managers (as defined below), custodial fees, charges imposed directly by a mutual fund or exchange traded fund in the account, which shall be disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Additionally, for assets outside of any wrap fee programs, clients may incur brokerage commissions and transaction fees. Such charges, fees and commissions are exclusive of and in addition to Registrant's fee. Please Note: The brokerage commissions and/or transaction fees charged by LPL may be higher or lower than those charged by other broker-dealers/custodians.

Please Note: Clients who engage Registrant on a wrap fee basis **will not** incur brokerage commissions and/or transaction or asset based custodial fees in addition to the program fee.

## **Fees Charged by Registrant**

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Registrant's annual investment advisory fee shall be prorated and paid quarterly, in advance, based upon the market value of the assets on the last business day of the previous quarter. The Investment Advisory Agreement between Registrant and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the Investment Advisory Agreement. Upon termination, Registrant shall refund the pro-rated portion of the advanced advisory fee paid based upon the number of days remaining in the billing quarter.

Registrant's Agreement and/or the separate agreement with the Financial Institution(s) may authorize Registrant through the Financial Institution(s) to debit the client's account for the amount of Registrant's fee and to directly remit that management fee to Registrant in accordance with applicable custody rules. The Financial Institution(s) recommended by Registrant have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to Registrant. In the limited event that Registrant bills the client directly, payment is due upon receipt of Registrant's invoice. Registrant shall deduct fees and/or bill clients quarterly in advance, based upon the market value of the assets on the last business day of the previous quarter.

## **Fees for Management During Partial Quarters of Service**

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For the initial period of investment management services, the first period's fees shall be calculated on a pro rata basis. The *Agreement* between Registrant and the client will continue in effect until terminated by either party pursuant to the terms of the *Agreement*. Registrant's annual fee shall be prorated through the date of termination and any remaining balance shall be charged or refunded to the client, as appropriate, in a timely manner.

Additions may be in cash or securities provided that Registrant reserves the right to liquidate any transferred securities, or decline to accept particular securities into a client's account. Registrant may consult with its clients about the options and ramifications of transferring securities. However, clients are advised that when transferred securities are liquidated, they are subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications.

If assets are deposited into or withdrawn from an account after the inception of a quarter, the fee payable with respect to such assets will be prorated based on the number of days remaining in the quarter.

**Asset-Based Pricing Arrangements and Limitations.** Registrant may recommend that clients enter into an “Asset-Based” pricing agreement with the account broker-dealer/custodian. Under an “Asset-Based” pricing arrangement, the broker dealer/custodian charges the client a fixed percentage fee for all account commissions/transactions based on the amount of assets placed in custody and/or on the broker-dealer/custodian’s platform, and not based upon the number of transactions executed. Generally, in an Asset-Based pricing arrangement, the applicable fixed percentage fee decreases as the account value increases. In the alternative, the broker dealer/custodian could charge a separate commission/transaction fee upon the execution of an account transaction. This is referred to as a “Transaction-Based” pricing arrangement. Under a Transaction-Based pricing arrangement, the amount of fees charged by the broker-dealer/custodian to the client will vary depending upon the number of and type of transactions that are placed for the account. Under either scenario, the fees charged by the respective broker-dealer/custodian are separate from, and in addition to the advisory fee payable by the client to Registrant. Registrant’s recommendation that a client enter into an Asset-Based pricing agreement with the account broker-dealer/custodian would depend upon whether, based upon anticipated account size and activity, Registrant reasonably believes that the client would benefit from the available pricing arrangement. However, account investment decisions are often more heavily driven by security selection and anticipated market conditions, as opposed to the amount of commission/transaction fees payable by clients to the account broker-dealer/custodian.

Clients may request at any time to switch between Asset-Based pricing and Transaction-Based pricing arrangements, however, there can be no assurance that the volume of transactions will be consistent from year-to-year given changes in market events and security selection. Therefore, given the variances in trading volume and pricing arrangements, any decision by clients to switch between Asset-Based or Transaction-Based pricing could prove to be economically disadvantageous. Registrant’s annual investment advisory fee shall be prorated and paid quarterly, in advance, based upon the average daily market value of the client’s account.

### **Commissions or Sales Charges for Recommendations of Securities**

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In the event the client desires, the client can engage certain of Registrant’s Principals and representatives in their individual capacities as registered representatives of LPL, or as licensed insurance agents, to implement investment recommendations on a fully disclosed commission basis. Certain investment adviser representatives of Registrant are also associated with LPL as broker-dealer registered representatives (“Dually Registered Persons”). In the event the client chooses to implement by purchasing investment products through Registrant’s Principals or representatives, in their individual capacities as registered representatives of LPL, brokerage commissions will be charged by LPL to effect securities transactions, a

portion of which commissions shall be paid by LPL to Registrant's Principals or representatives. Prior to effecting any transactions, the client will be required to enter into a new account agreement with LPL. The brokerage commissions charged by LPL may be higher or lower than those charged by other broker-dealers. In addition to brokerage commissions, the client may incur, relative to all mutual fund purchases, charges imposed at the mutual fund level (i.e. advisory fees, 12(b)-1 distribution charges, and other fund expenses). LPL, relative to commission mutual fund purchases, may also receive additional ongoing 12(b)-1 trailing commission compensation directly from the mutual fund company during the period that the client maintains the mutual fund investment. Our advisory representatives do not receive 12(b)-1 fees in relation to managed investment advisory accounts in their role as registered representatives.

Conflict of Interest: The recommendation by certain of Registrant's Principals and representatives that a client purchase a securities commission product presents a conflict of interest, as the receipt of commissions may provide an incentive to recommend investment products based on commissions received, rather than on a particular client's need. No client is under any obligation to purchase any commission products from Registrant's Principals and/or representatives. Clients are reminded that they may purchase securities recommended by Registrant through other, non-affiliated broker-dealers. Registrant's Chief Compliance Officer, John P. Sawyer III, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.

Please Note: Clients may purchase investment products recommended by Registrant through other, non-affiliated broker-dealers or agents. However, when purchasing these securities and investment products away from Registrant, you will not receive the benefit of the advice and other services we provide.

Registrant does not receive more than 50% of its revenue from advisory clients as a result of commissions or other compensation for the sale of investment products Registrant recommends to its clients.

When Registrant's representatives sell an investment product on a commission basis, Registrant does not charge an advisory fee in addition to the commissions paid by the client for such product. When providing services on an advisory fee basis, Registrant's representatives do not also receive commission compensation for such advisory services. However, a client may engage Registrant to provide investment management services on an advisory fee basis and separate from such advisory services purchase an investment product from Registrant's representatives on a separate commission basis.

Other disclosures for this section: Registrant recommends primarily mutual funds and ETFs to its clients. Those recommendations include “no-load” funds, which impose no commission or sales charge (“load”) on the shareholder and are purchased directly from the fund company, rather than through a broker.

## **Item 6. Performance-Based Fees and Side-by-Side Management**

Registrant does not provide any services for performance based fees. Performance based fees are those based on a share of capital gains on or capital appreciation of the assets of a client.

## **Item 7. Types of Clients**

Registrant provides its services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and business entities. Registrant does not generally require an annual minimum fee or an aggregate minimum account value for its investment advisory services. Registrant, in its sole discretion, may charge a lesser investment management fee based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.). As result of the above, similarly situated clients could pay different fees. In addition, similar advisory services may be available from other investment advisers for similar or lower fees.

### **Minimums Imposed By Independent Managers**

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Registrant does not impose a minimum portfolio size or minimum annual fee. Certain Independent Manager(s) may, however, impose more restrictive account requirements and varying billing practices than Registrant. In such instances, Registrant may alter its corresponding account requirements and/or billing practices to accommodate those of the Independent Manager(s).

Registrant, in its sole discretion, may charge a lesser investment management fee based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.). As a result, similarly situated clients could pay different fees. In addition, similar advisory services may be available from other investment advisers for similar or lower fees

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

Registrant’s primary methods of analysis are fundamental and technical. Each of Registrant’s investment adviser representatives may deviate in their investment strategy. In developing its analysis, Registrant also



relies on software-driven analysis that may incorporate the philosophies discussed below.

Fundamental analysis involves the fundamental financial condition and competitive position of a company. Registrant will analyze the financial condition, capabilities of management, earnings, new products and services, as well as the company's markets and position amongst its competitors in order to determine the recommendations made to clients. The primary risk in using fundamental analysis is that while the overall health and position of a company may be good, market conditions may negatively impact the security.

Technical analysis involves the analysis of past market data rather than specific company data in determining the recommendations made to clients. Technical analysis may involve the use of charts to identify market patterns and trends which may be based on investor sentiment rather than the fundamentals of the company. The primary risk in using technical analysis is that spotting historical trends may not help to predict such trends in the future. Even if the trend will eventually reoccur, there is no guarantee that Registrant will be able to accurately predict such a reoccurrence.

Registrant shall utilize the following investment strategies when implementing investment advice given to clients:

- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)

Please Note: Investment Risk: Investing in securities involves risk of loss that clients should be prepared to bear. Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by Registrant) will be profitable or equal any specific performance level(s).

Registrant's methods of analysis and investment strategies do not present any significant or unusual risks. However, every method of analysis has its own inherent risks. To perform an accurate market analysis Registrant must have access to current/new market information. Registrant has no control over the dissemination rate of market information; therefore, unbeknownst to Registrant, certain analyses may be compiled with outdated market information, severely limiting the value of Registrant's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

Registrant's primary investment strategies - Long Term Purchases and Short Term Purchases - are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy.

### **Use of Margin**

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To the extent that a client authorizes the use of margin, and margin is thereafter employed by Registrant in the management of the client's investment portfolio, the market value of the client's account and corresponding fee payable by the client to Registrant will not be increased.

While the use of margin borrowing can substantially improve returns, such use may also increase the adverse impact to which a client's portfolio may be subject. Borrowings will usually be from securities brokers and dealers and will typically be secured by the client's securities and/or other assets. Under certain circumstances, such a broker-dealer may demand an increase in the collateral that secures the client's obligations and if the client were unable to provide additional collateral, the broker-dealer could liquidate assets held in the account to satisfy the client's obligations to the broker-dealer. Liquidation in that manner could have extremely adverse consequences. In addition, the amount of the client's borrowings and the interest rates on those borrowings, which will fluctuate, will have a significant effect on the client's profitability.

A margin transaction strategy, in which an investor uses borrowed assets to purchase financial instruments, involves a high level of inherent risk. The investor generally obtains the borrowed assets by using other securities as collateral for the borrowed sum. The effect of purchasing a security using margin is to magnify any gains or losses sustained by the purchase of the financial instruments on margin. Please note: To the extent that a client authorizes the use of margin, and margin is thereafter employed by the Registrant in the management of the client's investment portfolio, the market value of the client's account and corresponding fee payable by the client to the Registrant may be increased. As a result, in addition to understanding and assuming the additional principal risks associated with the use of margin, clients authorizing margin are advised of the conflict of interest whereby the client's decision to employ margin may correspondingly increase the management fee payable to the Registrant. Accordingly, the decision as to whether to employ margin is left totally to the discretion of client.

## Market Risks

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The profitability of a significant portion of Registrant's recommendations may depend to a great extent upon correctly assessing the future course of price movements of stocks and bonds. There can be no assurance that Registrant will be able to predict those price movements accurately.

## Mutual Funds and Exchange Traded Funds (ETFs)

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An investment in a mutual fund or ETF (collectively, "Funds") involves risk, including the loss of principal. Funds are subject to secondary market trading risks. Shares of Funds will be listed for trading on an exchange, however, there can be no guarantee that an active trading market for such shares will develop or continue. There can be no guarantee that a Fund's exchange listing or ability to trade its shares will continue or remain unchanged. Shares of the Fund may trade on an exchange at prices at, above or below their most recent net asset valuation (NAV), which is the price at which an investor would buy or sell the Fund. The per share NAV of a Fund is calculated at the end of each business day, and fluctuates with changes in the market value of the Fund's holdings. The trading prices of a Fund's shares may differ significantly from NAV during periods of market volatility, which may, among other factors, lead to the ETF's shares trading at a premium or discount to NAV.

## Use of Independent Manager(s)

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Registrant may recommend the use of Independent Manager(s) for certain clients. Registrant will continue to do ongoing due diligence of such managers, but the such recommendations relies, to a great extent, on the Independent Manager(s) ability to successfully implement their investment strategy. In addition, Registrant does not have the ability to supervise the Independent Manager(s) on a day-to- day basis, if at all.

## Options

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Registrant may recommend the use of options for certain clients. Options allow Registrant to hedge (limit) certain losses on positions clients hold. The option allows Registrant to buy or sell a security at a certain price (not the current market price). Clients pay a fee for the option. If the option falls outside the money (i.e., the market price of the security does not justify purchasing/selling the security at the option price), the client will lose the fee for that option.

Investing in securities involves the risk of loss. Clients should be prepared to bear such loss.

Currently, Registrant primarily allocates client investment assets among various individual equity securities (stocks), debt (bonds), mutual funds (primary investment vehicle) and/or exchange traded funds (“ETFs”), SMAs and independent investment managers, on a discretionary basis in accordance with the client’s designated investment objective(s).

### **Structured Notes**

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Registrant may purchase structured notes for client accounts. A structured note is a financial instrument that combines two elements, a debt security and exposure to an underlying asset or assets. It is essentially a note, carrying counter party risk of the issuer. However, the return on the note is linked to the return of an underlying asset or assets (such as the S&P 500 Index or commodities). It is this latter feature that makes structured products unique, as the payout can be used to provide some degree of principal protection, leveraged returns (but usually with some cap on the maximum return), and be tailored to a specific market or economic view. In addition, investors may receive long-term capital gains tax treatment if certain underlying conditions are met and the note is held for more than one year. Finally, structured notes may also have liquidity constraints, such that the sale thereof prior to maturity may be limited. In the event that a client has any questions regarding the purchase of structured notes for their account, Registrant’s Chief Compliance Officer, John P. Sawyer, III, remains available to address them.

Risks Associated with Structured Notes: Structured notes do not pay interest, dividend payments, provide voting rights or guarantee any return of principal at maturity unless specifically provided through products that are designed with this purpose in mind. Most structured note payments are based on the performance of an underlying index (i.e., S&P 500) and if the underlying index were to decline 100% then the payment may result in a loss of a portion or all of a client’s principal. Notes are not insured through any governmental agency or program and the return of principal and fulfillment of the terms negotiated by Registrant on behalf of clients is dependent on the financial condition of the third party issuing the note and the issuer’s ability to pay its obligations as they become due.

Structured notes purchased for clients will not be listed on any securities exchange. There may be no secondary market for such structured notes, and neither the issuer nor the agent will be required to purchase notes in the secondary market. Some of these structured financial products are callable by the issuer only, therefore the issuer (not the investor) can choose to call in the structured notes and redeem them before maturity. In addition, the maximum potential payment on structured notes will typically be limited to the redemption amount applicable for a payment date, regardless of the appreciation in the underlying index associated with the note. Since the level of the underlying index at various times during

the term of the structured notes held by clients could be higher than on the valuation dates and at maturity, clients may receive a lower payment if redeemed early or at maturity than if a client would have invested directly in the underlying index.

While the payment at maturity of any structured notes would be based on the full principal amount of any note sold by the issuer, the original issue price of any structured note purchased for clients includes an agent's commission and the cost of hedging the issuer's obligations under the note. As a result, the price, if any, at which an issuer will be willing to purchase structured notes from clients in a secondary market transaction, if at all, will likely be lower than the original issue price and any sale prior to the maturity.

Currently, Registrant primarily allocates investment management assets among various mutual funds and exchange traded funds (ETFs), on both a discretionary and non-discretionary basis, in accordance with the client's designated investment objective(s).

Registrant may also allocate investment management assets of its client accounts, on a discretionary basis, among one or more of its mutual fund asset allocation programs. (i.e. Aggressive, Growth, Moderate, Balanced, Income and Cash Management) as designated on the Investment Advisory Agreement. Registrant's asset allocation strategies have been designed to comply with the requirements of Rule 3a-4 of the Investment Company Act of 1940. Rule 3a-4 provides similarly managed investment programs, such as Registrant's asset allocation programs, with a non-exclusive safe harbor from the definition of an investment company. In accordance with Rule 3a-4, the following disclosure is applicable to Registrant's management of client assets:

1. Initial Interview – at the opening of the account, Registrant, through its designated representatives, shall obtain from the client information sufficient to determine the client's financial situation and investment objectives;
2. Individual Treatment - the account is managed on the basis of the client's financial situation and investment objectives;
3. Quarterly Notice – at least quarterly Registrant shall notify the client to advise Registrant whether the client's financial situation or investment objectives have changed, or if the client wants to impose and/or modify any reasonable restrictions on the management of the account;
4. Annual Contact – at least annually, Registrant shall contact the client to determine whether the client's financial situation or investment objectives have changed, or if the client wants to impose and/or modify any reasonable restrictions on the management of the account;

5. Consultation Available – Registrant shall be reasonably available to consult with the client relative to the status of the account;
6. Quarterly Report – the client shall be provided with a quarterly report for the account for the preceding period;
7. Ability to Impose Restrictions – the client shall have the ability to impose reasonable restrictions on the management of the account, including the ability to instruct Registrant not to purchase certain mutual funds;
8. No Pooling – the client’s beneficial interest in a security does not represent an undivided interest in all the securities held by the custodian, but rather represents a direct and beneficial interest in the securities which comprise the account;
9. Separate Account - a separate account is maintained for the client with the Custodian;
10. Ownership – each client retains indicia of ownership of the account (e.g. right to withdraw securities or cash, exercise or delegate proxy voting, and receive transaction confirmations).

Registrant believes that its annual investment management fee is reasonable in relation to: (1) the advisory services provided under the Investment Advisory Agreement; and (2) the fees charged by other investment advisers offering similar services/programs. However, Registrant’s annual investment management fee may be higher than that charged by other investment advisers offering similar services/programs. In addition to Registrant’s annual investment management fee, the client will also incur charges imposed directly at the mutual and exchange traded fund level (e.g., management fees and other fund expenses). Please Note: Registrant’s investment programs may involve above-average portfolio turnover, which could negatively impact upon the net after-tax gain experienced by an individual client in a taxable account.

Currently, Registrant primarily allocates client investment assets among various individual equity securities, mutual funds (primary investment vehicle) and/or exchange traded funds (“ETFs”), SMAs and independent investment managers, on a discretionary and non-discretionary basis in accordance with the client’s designated investment objective(s).

### **Risk of Loss**

Past performance is not indicative of future results. Therefore, you should never assume that future performance of any specific investment or investment strategy will be profitable. Investing in securities (including stocks, mutual funds, ETFs and bonds) involves risk of loss. Further, depending on the different types of investments there may be varying degrees of risk. You should be prepared to bear investment loss including loss of original principal.

Because of the inherent risk of loss associated with investing, our firm is unable to represent, guarantee, or even imply that our services and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines. There are certain additional risks associated when investing in securities through our investment management program.

☐ Market Risk – Either the stock market as a whole, or the value of an individual company, goes down resulting in a decrease in the value of client investments. This is also referred to as systemic risk.

☐ Equity (stock) market risk – Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. If you held common stock, or common stock equivalents, of any given issuer, you would generally be exposed to greater risk than if you held preferred stocks and debt obligations of the issuer.

☐ Company Risk. When investing in stock positions, there is always a certain level of company or industry specific risk that is inherent in each investment. This is also referred to as unsystematic risk and can be reduced through appropriate diversification. There is the risk that the company will perform poorly or have its value reduced based on factors specific to the company or its industry. For example, if a company's employees go on strike or the company receives unfavorable media attention for its actions, the value of the company may be reduced.

☐ Fixed Income Risk. When investing in bonds, there is the risk that issuer will default on the bond and be unable to make payments. Further, individuals who depend on set amounts of periodically paid income face the risk that inflation will erode their spending power. Fixed-income investors receive set, regular payments that face the same inflation risk.

☐ Options Risk. Options on securities may be subject to greater fluctuations in value than an investment in the underlying securities. Purchasing and writing put and call options are highly specialized activities and entail greater than ordinary investment risks.

☐ ETF and Mutual Fund Risk – When investing in an ETF or mutual fund, you may bear additional expenses based on your pro rata share of the ETF's or mutual fund's operating expenses, including the potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities the ETF or mutual fund holds. Clients may also incur brokerage costs when purchasing ETFs.

□ Management Risk – Your investment with our firm varies with the success and failure of our investment strategies, research, analysis and determination of portfolio securities. If our investment strategies do not produce the expected returns, the value of the investment will decrease.

### **Item 9. Disciplinary Information**

In a Consent Order dated October 2, 2017 (“the Order”), Registrant entered into a settlement with the Massachusetts Securities Division of the Office of the Secretary of the Commonwealth (“the Securities Division”), related to allegations that Registrant failed to register one of its Supervised Persons as an investment adviser representative of Registrant with the Securities Division. Pursuant to the Order, Registrant paid restitution in the amount of \$294,131.08 and an administrative fine in the amount of \$93,900.

In a Consent Order dated November 29, 2018 (“the Order”), Registrant entered into a settlement with the State of New Hampshire Bureau of Securities Regulation (“the Bureau”), related to allegations that Registrant failed to register one of its Supervised Persons as an investment adviser representative of Registrant with the Bureau. Pursuant to the Order, Registrant paid an administrative fine in the amount of \$10,000.

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

Registrant is required to disclose any relationship or arrangement that is material to its advisory business or to its clients with certain related persons. Registrant has described such relationships and arrangements, below.

Registered Representative of LPL: As disclosed above in Item 5.E, certain of Registrant’s Principals and representatives are registered representatives of LPL. Certain employees of Registrant are Dually Registered Persons. LPL is a broker-dealer that is independently owned and operated and is not affiliated with Registrant. Please refer to Item 12 for a discussion of the benefits Registrant may receive from LPL and the conflicts of interest associated with receipt of such benefits.

Neither Registrant, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.



Registered Representatives of LPL: As disclosed above in Item 5.E, certain of Registrant's representatives are registered representatives of LPL, a FINRA member broker-dealer. Clients can choose to engage Registrant's representatives, in their individual capacities, to effect securities brokerage transactions on a commission basis.

Licensed Insurance Agents: Certain of Registrant's representatives, in their individual capacities, are licensed insurance agents, and may recommend the purchase of certain insurance-related products on a commission basis. Clients can engage certain of Registrant's representatives to purchase insurance products on a commission basis.

Conflict of Interest: The recommendation by Registrant's representatives that a client purchase a securities or insurance commission product presents a conflict of interest, as the receipt of commissions may provide an incentive to recommend investment products based on commissions received, rather than on a particular client's need. No client is under any obligation to purchase any commission products from Registrant's representatives. Clients are reminded that they may purchase securities or insurance products recommended by Registrant through other, non-affiliated insurance agents or broker-dealers. Registrant's Chief Compliance Officer, John P. Sawyer, III, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.

Forgivable Loans-Conflict of Interest: As discussed above, certain of Registrant's representatives are registered representatives of LPL. LPL has established several forgivable and repayable loans with certain of these registered representatives. As such, these individuals received from LPL additional economic benefits ("Forgivable Loans"). The terms of the LPL Forgivable Loans require that each individual meet or exceed certain production requirements (commissions and fees received by LPL attributed to the individual's production in a registered representative capacity) for a period of three (3) years before the loans are forgiven.

Clearing and custodial arrangements with LPL, any of LPL's affiliates as described herein do not and will not in any way affect, or relate or pertain to the LPL Forgivable Loans.

### **Receipt of Securities Commission**

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Certain Advisory Affiliates of Registrant are registered representatives of LPL Financial. As a result of this relationship, LPL Financial may have access to certain confidential information (e.g., financial information, investment objectives, transactions and holdings) about Registrant's clients, even if client does not establish any account through LPL. Any client that would like a copy of the LPL Financial privacy policy can contact

Registrant at the contact information on the cover page of this brochure.

## **Fees from Independent Managers**

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As discussed above, Registrant recommends that certain clients authorize the active discretionary management of a portion of their assets by and/or among certain *Independent Manager(s)*. In certain circumstances Registrant's compensation is included in the advisory fee charged by such *Independent Manager(s)*. There may be a conflict of interest to choose such *Independent Manager(s)*.

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

Registrant maintains an investment policy relative to personal securities transactions. This investment policy is part of Registrant's overall Code of Ethics, which serves to establish a standard of business conduct for all of Registrant's representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, Registrant also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by Registrant or any person associated with Registrant.

Neither Registrant nor any related person of Registrant recommends, buys, or sells for client accounts, securities in which Registrant or any related person of Registrant has a material financial interest.

Registrant and/or representatives of Registrant may buy or sell securities that are also recommended to clients. This practice may create a situation where Registrant and/or representatives of Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. Practices such as "scalping" (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if Registrant did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, "front-running" (i.e., personal trades executed prior to those of Registrant's clients) and other potentially abusive practices.

Registrant has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of Registrant's "Access Persons". Registrant's securities

transaction policy requires that an Access Person of Registrant must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person's current securities holdings at least once each twelve (12) month period thereafter on a date Registrant selects; provided, however that at any time that Registrant has only one Access Person, he or she shall not be required to submit any securities report described above.

Registrant and/or representatives of Registrant may buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where Registrant and/or representatives of Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. As indicated above in Item 11.C, Registrant has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of Registrant's Access Persons.

### **Item 12. Brokerage Practices**

In the event that the client requests that Registrant recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct Registrant to use a specific broker-dealer/custodian), Registrant generally recommends that investment management accounts be maintained at LPL. Prior to engaging Registrant to provide investment management services, the client will be required to enter into a formal Investment Advisory Agreement with Registrant setting forth the terms and conditions under which Registrant shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Registrant will generally request that clients establish a brokerage account with LPL or to maintain custody of clients' assets and to effect trades for their accounts. LPL and provide brokerage and custodial services to independent investment advisory firms, including Registrant. For Registrant accounts custodied at LPL and, the custodians are generally compensated by clients through commissions, trails, or other transaction or asset-based fees for trades that are executed through the custodians or that settle into custodian accounts. For IRA accounts, LPL and generally charge account maintenance fees. In addition, LPL charges clients miscellaneous fees and charges, such as account transfer fees. LPL charge Registrant an asset-based administration fee for administrative services provided. Such administration fees are not directly borne by clients, but may be taken into account when Registrant negotiates its advisory fee with clients.

While LPL does not participate in, or influence the formulation of, the investment advice Registrant provides, certain supervised persons of Registrant are Dually Registered Persons. Dually Registered Persons are restricted by certain FINRA rules and policies from maintaining client accounts at another custodian or executing client transactions in such client accounts through any broker-dealer or custodian that is not approved by LPL. As a result, the use of other trading platforms must be approved not only by Registrant, but also by LPL.

Clients should also be aware that for accounts where LPL or serves as the custodian, Registrant is limited to offering services and investment vehicles that are approved by LPL or, and may be prohibited from offering services and investment vehicles that may be available through other broker-dealers and custodians, some of which may be more suitable for a client's portfolio than the services and investment vehicles offered through LPL or Clients should understand that not all investment advisers request that clients custody their accounts and trade through specific broker-dealers.

Clients should also understand that LPL is responsible under FINRA rules for supervising certain business activities of Registrant and its Dually Registered Persons that are conducted through broker-dealers and custodians other than LPL. LPL charges a fee for its oversight of activities conducted through these other broker-dealers and custodians. This arrangement presents a conflict of interest because Registrant has a financial incentive to recommend that you maintain your account with LPL rather than with another broker-dealer or custodian to avoid incurring the oversight fee.

Factors that Registrant considers in recommending LPL (or any other broker-dealer/custodian to clients) include historical relationship with Registrant, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by Registrant's clients shall comply with Registrant's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where Registrant determines, in good faith, that the commission/transaction fee is reasonable. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Registrant will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are included in Registrant's investment management fee. Registrant's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close. Non-Soft Dollar

Research and Additional Benefits: Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, Registrant may receive from LPL (or another broker-dealer/custodian, investment platform, unaffiliated investment manager, vendor, unaffiliated product/fund sponsor, or vendor) without cost (and/or at a discount) support services and/or products, certain of which assist Registrant to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by Registrant may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by Registrant in furtherance of its investment advisory business operations. Many of these products and services may be used to service all or a substantial number of Registrant, including accounts not held with LPL.

As indicated above, certain of the support services and/or products that may be received may assist Registrant in managing and administering client accounts. Others do not directly provide such assistance, but rather assist Registrant to manage and further develop its business enterprise.

Registrant's clients do not pay more for investment transactions effected and/or assets maintained at LPL as a result of this arrangement. There is no corresponding commitment made by Registrant to LPL or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

### **Software and Support Provided by Financial Institutions**

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Registrant may receive from LPL, without cost to Registrant, computer software and related systems support, which allow Registrant to better monitor client accounts maintained at LPL. Registrant may receive the software and related support without cost because Registrant renders investment management services to clients that maintain assets at LPL. The software and support is not provided in connection with securities transactions of clients (i.e. not "soft dollars"). The software and related systems support may benefit Registrant, but not its clients directly. In fulfilling its duties to its clients, Registrant endeavors at all times to put the interests of its clients first. Clients should be aware, however, that Registrant's receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits may influence Registrant's choice of broker-dealer over another broker-dealer that does not furnish similar software, systems support, or services.

Specifically, Registrant receives the following benefits from LPL: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services its registered investment advisor group participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and access to an electronic communication network for client order entry and account information.

In addition, Registrant receives funds to be used toward qualifying third-party service providers for research, marketing, compliance, technology and software platforms and services. These services include: practice management-related publications; consulting services; attendance at conferences and seminars, meetings, and other educational and/or social events; marketing support; and other products and services used by Registrant in furtherance of the operation and development of its investment advisory business.

### **Transition Assistance Benefits to Advisory Affiliates**

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LPL provides various benefits and payments to certain Advisory Affiliates of Registrant that are registered representatives of LPL who are new to LPL platform to assist the Advisory Affiliates with the costs (including foregone revenues during account transition) associated with transitioning business from his or her prior firm to the LPL Financial platform (collectively referred to as "Transition Assistance"). The proceeds of such Transition Assistance payments are intended to be used for a variety of purposes, including but not necessarily limited to, providing working capital to assist in funding the Advisory Affiliate's business, satisfying any outstanding debt owed to the Advisory Affiliate's prior firm, offsetting account transfer fees payable to LPL as a result of the Advisory Affiliate's clients transitioning to LPL's custodial platform, technology set-up fees, marketing and mailing costs, stationary and licensure transfer fees, moving expenses, office space expenses, staffing support and termination fees associated with moving accounts.

The amount of the Transition Assistance payments is often significant in relation to the overall revenue earned or compensation received by the Advisory Affiliate at his or her prior firm. Such payments are generally based on the size of the Advisory Affiliate's business established at his or her prior firm and/or assets under custody on the LPL.

Transition Assistance payments and other benefits are provided to associated persons of Registrant in their capacity as registered representatives of LPL. However, the receipt of Transition Assistance by such Advisory Affiliates creates conflicts of interest relating to Registrant's advisory business because it creates a financial incentive for Registrant's representatives to recommend that its clients maintain their accounts with LPL. In certain instances, the receipt of such benefits is dependent on the Advisory Affiliate's maintaining its clients' assets with LPL and therefore Registrant has an incentive to recommend that clients

maintain their account with LPL in order to generate such benefits.

Registrant attempts to mitigate these conflicts of interest by evaluating and recommending that clients use LPL's services based on the benefits that such services provide to our clients, rather than the Transition Assistance earned by any particular Advisory Affiliate. Registrant considers LPL's full range of services, including among others, the value of research provided, execution capability, commission rates, and responsiveness when recommending or requiring that clients maintain accounts with LPL. However, clients should be aware of this conflict and take it into consideration in making a decision whether to custody their assets in a brokerage account at LPL.

### **Forgivable Loans-Conflict of Interest**

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As discussed above, certain of Registrant's representatives are registered representatives of LPL. LPL has established several forgivable and repayable loans with certain of these registered representatives. As such, these individuals received from LPL additional economic benefits ("Forgivable Loans"). The terms of the LPL Forgivable Loans require that each individual meet or exceed certain production requirements (commissions and fees received by LPL attributed to the individual's production in a registered representative capacity) for a period of three years after joining LPL before the loans are forgiven.

Clearing and custodial arrangements with LPL, any of LPL's affiliates as described herein do not and will not in any way affect, or relate or pertain to, the LPL Forgivable Loans.

Registrant's Chief Compliance Officer, John P. Sawyer, III, remains available to address any questions that a client or prospective client may have regarding the above arrangement and the corresponding conflict of interest that is created.

Registrant does not receive referrals from broker-dealers.

Registrant does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and Registrant will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by Registrant. As a result, client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

The Program allows some choice as to custodian. Clients should understand that their choice of broker-dealer or custodian in this program may lead to higher brokerage costs than they might have otherwise obtained, due to higher rates or an inability to aggregate orders and thereby reduce transaction costs.

Please Note: In the event that the client directs Registrant to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through Registrant. Higher transaction costs adversely impact account performance.

Please Also Note: Transactions for directed accounts will generally be executed following the execution of portfolio transactions for non-directed accounts. Registrant's Chief Compliance Officer, John P. Sawyer, III, remains available to address any questions that a client or prospective client may have regarding the above arrangement.

To the extent that Registrant provides investment management services to its clients, transactions for each client account generally will be effected independently, unless Registrant decides to purchase or sell the same securities for several clients at approximately the same time. Registrant may (but is not obligated to) combine or "bunch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among Registrant's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. Registrant shall not receive any additional compensation or remuneration as a result of such aggregation.

### **Commissions or Sales Charges for Recommendations of Securities**

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As discussed above, certain Advisory Affiliates in their respective individual capacities, are registered representatives of LPL. These Advisory Affiliates are subject to FINRA Rule 3040, which restricts registered representatives from conducting securities transactions away from their broker-dealer unless LPL provides written consent. Therefore, clients are advised that certain Advisory Affiliates may be restricted to conducting securities transactions through LPL unless they first secure written consent from LPL to execute securities transactions through a different broker-dealer. Absent such written consent or separation from LPL, these Advisory Affiliates are prohibited from executing securities transactions through any broker-dealer other than LPL under LPL's internal supervisory policies. Registrant is cognizant of its duty to obtain best execution and has implemented policies and procedures reasonably designed in such pursuit.



## Item 13. Review of Accounts

### Account Reviews

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For those clients to whom Registrant provides investment management services, Registrant monitors those portfolios as part of an ongoing process while regular account reviews are conducted on at least a quarterly basis. For those clients to whom Registrant provides financial planning and/or consulting services, reviews are conducted on an “as needed” basis. Such reviews are conducted by one of Registrant’s investment adviser representatives. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with Registrant and to keep Registrant informed of any changes thereto. Registrant shall contact ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client’s financial situation and/or investment objectives.

### Account Statements and Reports

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Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for the client accounts. Those clients to whom Registrant provides investment advisory services will also receive a report from Registrant that may include such relevant account and/or market-related information such as an inventory of account holdings and account performance as clients may request from time to time. Clients should compare the account statements they receive from their custodian with those they receive from Registrant.

Those clients to whom Registrant provides financial planning and/or consulting services will receive reports from Registrant summarizing its analysis and conclusions as requested by the client or otherwise agreed to in writing by Registrant.

## Item 14. Client Referrals and Other Compensation

### Client Referrals

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Registrant is required to disclose any direct or indirect compensation that it provides for client referrals. Registrant does not have any required disclosures to this Item. Neither Registrant, nor any related person of Registrant directly or indirectly compensates any person for client referrals.

## Other Economic Benefits

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In addition, Registrant is required to disclose any relationship or arrangement where it receives an economic benefit from a third party (non-client) for providing advisory services. This type of relationship poses a conflict of interest and any such relationship is disclosed in response to Item 12, above. Registrant receives an economic benefit from LPL. Registrant, without cost (and/or at a discount), and receives support services and/or products from LPL. Registrant's clients do not pay more for investment transactions effected and/or assets maintained at LPL as a result of this arrangement. There is no corresponding commitment made by Registrant to LPL or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

Registrant and/or its Dually Registered Persons are incented to join and remain affiliated with LPL and to recommend that clients establish accounts with LPL through the provision of Transition Assistance (discussed in Item 12 above). LPL also provides other compensation to Registrant and its Dually Registered Persons, including but not limited to, bonus payments, repayable and forgivable loans, stock awards and other benefits.

The receipt of any such compensation creates a financial incentive for your representative to recommend LPL as custodian for the assets in your advisory account. We encourage you to discuss any such conflicts of interest with your representative before making a decision to custody your assets at LPL.

## Item 15. Custody

Registrant shall have the ability to have its advisory fee for each client debited by the custodian on a quarterly basis. Clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. Those clients to whom Registrant provides investment supervisory services may also receive a quarterly report from Registrant summarizing account activity and performance.

Please Note: To the extent that Registrant provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by Registrant with the account statements received from the account custodian. Please Also Note: The account custodian does not verify the accuracy of Registrant's advisory fee calculation.

## Item 16. Investment Discretion

Registrant may be given the authority to exercise discretion on behalf of clients. Registrant is considered to exercise investment discretion over a client's account if it can effect transactions for the client without first having to seek the client's consent. Registrant is given this authority through a power-of-attorney included in the agreement between Registrant and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). Registrant takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold;
- When transactions are made;
- The Independent Manager(s) to be hired or fired.

## Item 17. Voting Client Securities

### Acceptance of Proxy Voting Authority

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Registrant, in limited circumstances, accepts the authority to vote a client's securities (i.e. proxies) on their behalf. When Registrant accepts such responsibility, it will only cast proxy votes in a manner consistent with the best interest of its clients. Absent special considerations, which are fully described in Registrant's Proxy Voting Policies and Procedures, all proxies will be voted consistent with guidelines established and described in Registrant's Proxy Voting Policies and Procedures, as they may be amended from time to time. Clients may contact Registrant to request information about how Registrant voted proxies for that client's securities or to get a copy of Registrant's Proxy Voting Policies and Procedures. A brief summary of Registrant's Proxy Voting Policies and Procedures is as follows:

- Registrant has formed a Proxy Voting Committee that will be responsible for monitoring corporate actions, making voting decisions in the best interest of clients (or delegating that responsibility), and ensuring that proxies are submitted in a timely manner.
- The Proxy Voting Committee, or person(s) affiliated with Registrant to whom the responsibility was delegated, will vote proxies according to Registrant's then current Proxy Voting Guidelines. The Proxy Voting Guidelines include many specific examples of voting decisions for the types of proposals that are most frequently presented, including: composition of the board of directors; approval of independent auditors; management and director compensation; anti- takeover mechanisms and related issues; changes to capital structure; corporate and social policy issues; and issues involving mutual funds.
- Although the Proxy Voting Guidelines are followed as a general policy, certain issues are

considered on a case-by-case basis based on the relevant facts and circumstances. Since Corporate governance issues are diverse and continually evolving, Registrant devotes an appropriate amount of time and resources to monitor these changes.

- Clients cannot direct Registrant to vote on a particular solicitation but can revoke Registrant's authority to vote proxies.

In situations where there is a conflict of interest in the voting of proxies due to business or personal relationships that Registrant maintains with persons having an interest in the outcome of certain votes, Registrant takes appropriate steps to ensure that its proxy voting decisions are made in the best interest of its clients and are not the product of such conflict.

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

Registrant is not required to disclose any financial information pursuant to this Item due to the following:

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

**ANY QUESTIONS: Registrant's Chief Compliance Officer, John P. Sawyer, III, remains available to address any questions a client or prospective client may have regarding the above disclosures and arrangements.**