

Item 1. Cover Page

# Disclosure Brochure

January 29, 2025

## 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 "Flagship") is an SEC registered investment adviser. Registration does not imply any level of skill or training.

## Item 2. Material Changes

Since the last filing, the following has been amended:

- Changes pursuant to the Annual Updating Amendment

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## Item 4. Advisory Business

Flagship Harbor Advisors, LLC (“Flagship” or “The Firm”) has been in business since December 2010. David Kaufman is the principal owner of Flagship. Flagship is an investment adviser providing financial planning, consulting, and investment management services. Prior to engaging Flagship to provide any of the foregoing investment advisory services, the client will be required to enter into one or more written agreements with Flagship setting forth the terms and conditions under which Flagship shall render its services (collectively the “Agreement”). Neither Flagship 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 Flagship shall not be considered an assignment.

### Wealth Management Services

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Flagship can be engaged to manage all or a portion of a client’s assets on a discretionary and/or non-discretionary basis. Flagship primarily allocates its client’s investment management assets 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. Flagship may also provide advice about any type of investment held in a client’s portfolio. The client can determine to engage Flagship to provide discretionary investment advisory services on a wrap or non-wrap fee basis. (See discussion below. To the extent specifically requested by the client, Flagship will provide financial planning and related consulting services. ). In the event that the client requires specific or acute planning and/or consultation services (to be determined in the sole discretion of Flagship), Flagship 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 see further herein for a description of our financial planning and consulting services.

In addition to the foregoing, clients may, in writing, place reasonable limitations upon Flagship’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 Flagship’s clients may be limited. For example, various mutual funds may limit the ability of Flagship 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, Flagship will endeavor to allocate investment opportunities among its clients on a fair and equitable basis.

It is Flagship's practice to tailor its advisory services to the individual needs of clients. Flagship 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.

Also, if elected by the client, Flagship will use a third-party platform, Pontera, to facilitate management of held away assets. The platform allows us to avoid being considered to have custody of Client funds pursuant to Rule 206(4)-2, since Flagship does not obtain client log-in credentials, withdraw funds, write checks, maintain a Power of Attorney, nor claim legal ownership of these accounts. Flagship is not affiliated with Pontera in any way and receives no compensation for using the platform. Once Client accounts are connected to the platform, Flagship will review the current account allocations and when deemed necessary, Flagship will, on a discretionary basis, rebalance the account considering client investment goals and risk tolerance, and any change in allocations will consider current economic and market trends.

Unaffiliated Private Investment Funds: Flagship, on a non-discretionary basis, may also recommend that certain qualified clients consider an investment in unaffiliated private investment funds. Flagship'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 Flagship calculating its investment advisory fee. Flagship's clients are under absolutely no obligation to consider or make an investment in a private investment fund(s).

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. Please see Item 8 for more information on the risks associated with this type of investment.

Valuation: In the event that Flagship references private investment funds owned by the client on any supplemental account reports prepared by Flagship, 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.

### **Financial Planning and Consulting Services**

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As noted above, Flagship 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. Flagship does not serve as an attorney or accountant, and no portion of its services should be construed as legal or accounting services. Accordingly, Flagship does not prepare estate planning documents or tax returns.

In performing its services, Flagship 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. Neither Flagship nor its investment adviser representatives assist clients with the implementation of any financial plan, unless they have agreed to do so in writing. Flagship 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 Flagship recommends its own services. The client is under no obligation to act upon any of the recommendations made by Flagship under a financial planning/consulting engagement and/or engage the services of any such recommended professional, including Flagship itself. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any of Flagship's recommendations. Moreover, each client is advised that it remains their responsibility to promptly notify Flagship if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating, or revising Flagship's previous recommendations and/or services.

Prior to engaging Flagship to provide planning or consulting services, clients are generally required to enter into a *Financial Planning and Consulting Agreement* with Flagship 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 Flagship commencing services. If requested by the client, Flagship may recommend the services of other professionals for certain non-investment related implementation purposes, including certain of Flagship'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 Flagship and/or its representatives.

Limitations of Financial Planning and Non-Investment Consulting/Implementation Services: As indicated above, to the extent requested by a client, Flagship 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 Flagship nor its investment adviser representatives assist clients with the implementation of any financial plan, unless they have agreed to do so in writing. Accordingly, Flagship does not prepare estate planning documents or tax returns. In addition, Flagship does not monitor a client's financial plan, and it is the client's responsibility to revisit the financial plan with Flagship, if desired.

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 Flagship, shall be responsible for the quality and competency of the services provided.

Please Also Note- Conflict of Interest: The recommendation by Flagship's representative that a client purchase a securities or insurance commission product through Flagship'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 Flagship through other, non-affiliated broker-dealers and/or insurance agents.

### **Retirement Plan Consulting Services**

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Flagship 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 Flagship 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 Flagship’s fiduciary status, the specific services to be rendered and all direct and indirect compensation Flagship reasonably expects under the engagement.

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 Flagship recommends that a client roll over their retirement plan assets into an account to be managed by Flagship, such a recommendation creates a conflict of interest if Flagship 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 Flagship.

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

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Flagship 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, Flagship shall provide its investment management services and arrange for brokerage transactions under a single annualized fee. For participants in the Program, Flagship shall charge an annual fee based upon a percentage of the market value of the assets being managed by Flagship 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 Flagship 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 Flagship to the account custodian/broker-dealer, Flagship 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. Although the single wrap fee is inclusive of trade execution, custody, reporting, and Flagship's investment management fees, clients may incur additional fees as set forth below.

As also indicated in the Wrap Fee Program Brochure, the Program fee charged by Flagship 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 Flagship'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.

### **Use of Independent Managers**

Flagship 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. Flagship 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 Flagship 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.

Factors that Flagship 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, Flagship's investment advisory fee set forth above. As discussed above, the client may incur additional fees than those charged by Flagship, the designated Independent Manager(s), wrap fee program sponsor (if applicable), and corresponding broker-dealer and custodian.

In addition to Flagship'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

Flagship. In such instances, Flagship may alter its corresponding account requirements and/or billing practices to accommodate those of the Independent Manager(s) or wrap fee program sponsor.

If Flagship refers a client to certain Independent Manager(s) where Flagship's compensation is included in the advisory fee charged by such Independent Manager(s) and the client engages those Independent Manager(s), Flagship shall be compensated for its services by receipt of a fee to be paid directly by the Independent Manager(s) to Flagship in accordance with the requirements of Rule 206(4)-1 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.

### **Miscellaneous**

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MoneyGuidePro/eMoney Advisor Platform: Flagship 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 Flagship 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 Flagship does not manage (the "Excluded Assets"). Flagship does not provide investment management, monitoring, or implementation services for the Excluded Assets. Therefore, Flagship 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 Flagship, shall be exclusively responsible for such investment performance. The client may choose to engage Flagship to manage some or all of the Excluded Assets pursuant to the terms and conditions of an Investment Advisory Agreement between Flagship 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 Flagship. Finally, Flagship 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 Flagship's assistance or oversight.

Please Note: In addition to Flagship'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). 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. Flagship may allocate client investment assets to DFA mutual funds. Therefore, upon the termination of Flagship’s services to a client, restrictions regarding transferability and/or additional purchases of, or reallocation among DFA funds will apply.

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

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

As of December 31, 2024, Flagship had \$3,008,478,713 in assets under management, all of which were managed on a discretionary basis.

## Item 5. Fees and Compensation

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

### Non-Wrap Fee Basis

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

### Wrap Fee Basis

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. Flagship 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. Flagship, 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.). Because wrap program transaction fees and/or commissions are being paid by Flagship to the account custodian/broker-dealer, Flagship 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.

Fee Differentials: If the client determines to engage Flagship to provide investment advisory services, Flagship 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%. 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 Flagship to any particular client could be available from other advisers at lower fees (Also See Item 7 below).

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 Flagship's Investment Advisory Agreement and the custodial/clearing agreement may authorize the custodian to debit the account for the amount of Flagship's investment advisory fee and to directly remit that management fee to Flagship in compliance with regulatory procedures. In the limited event that Flagship bills the client directly, payment is due upon receipt of Flagship's invoice.

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), Flagship 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 Flagship's advisory fee. Should

Client utilize LPL's Insured Cash Account ("ICA") or Deposit Cash Account ("DCA") Programs they should be aware of the following:

- The fees LPL Financial receives from the banks participating in the ICA program are based upon the level of client assets in the ICA /DCA program;
- The fees paid to LPL reduces the interest rate paid to clients in the ICA program;
- That LPL retains a majority of the interest revenue;
- That clients can experience negative investment returns with respect to cash balances in the ICA program;
- LPL does not offer money market mutual funds as an option under its bank deposit sweep program; and
- LPL has an incentive to leverage its brokerage/custodial platform to cross-sell its bank deposit sweep product(s) and to make investment products available on its platform from product sponsors and manufacturers with whom LPL has revenue sharing or similar third-party arrangements.

Expenses/Other Fees: Fees in Flagship'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. Flagship 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. Flagship 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 Flagship has an economic incentive to allocate or reallocate program clients assets into Non-ABP-Funds to reduce its overall costs under the ABP arrangement.

Because Flagship cannot predict the markets and the amount of trading that will occur in a client account, Flagship 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. Flagship’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, Flagship 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. However, Flagship, 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.

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.

Termination of Agreement: Either a client or Flagship may terminate our relationship at any time for any reason. 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.

### **Financial Planning and Consulting Fees**

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Flagship 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 Flagship for additional investment advisory services, Flagship 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 Flagship to provide financial planning and/or consulting services, the client will generally be required to enter into a written agreement with Flagship 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 Flagship commencing services. Generally, Flagship 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 Flagship for ongoing financial planning services, Flagship shall prorate the fee and charge it quarterly in advance.

As noted above, Flagship 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 standalone separate fee basis. Flagship'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).

Either party may terminate the agreement by written notice to the other. In the event the client terminates Flagship's financial planning and/or consulting services, the balance of Flagship'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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Flagship 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 Flagship has agreed to manage a plan's assets, Flagship 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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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 Flagship'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.

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

Financial institutions shall include, but are not limited to, LPL, any other broker-dealer recommended by Flagship, broker-dealer directed by the client, trust companies, banks etc. (collectively referred to herein as the "Financial Institution(s)"). LPL charges 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). 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.

## **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 Flagship and the client will continue in effect until terminated by either party pursuant to the terms of the *Agreement*. Flagship'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 Flagship reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account. Flagship 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.

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

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Certain investment adviser representatives of Flagship are also associated with LPL as broker-dealer registered representatives (“Dually Registered Persons”). In the event the client desires, the client can engage certain of Flagship’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. In this scenario, brokerage commissions will be charged by LPL to effect securities transactions, a portion of which commissions shall be paid by LPL to Flagship’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. We make every effort not to purchase funds that pay 12b-1 fees. Flagship expressly prohibits the purchase or hold of funds with 12b-1 fees. Except in limited circumstances, all funds that charge 12b-1 fees are converted to funds that do not charge 12b-1 fees immediately, but no later than 30 business days.

Mutual fund selection in fee-based accounts presents a conflict of interest. An IAR may be conflicted in not selecting a less expensive mutual fund share class if that respective share class carries a ticket charge paid by the IAR (for wrap accounts), so the IAR may prefer a more expensive share class where the fee is instead borne by the client and not subjected to a ticket charge for purchase/redemption. In non-wrap account, the IAR may still have the same conflict in trying to avoid a client paying a ticket charge, in lieu of higher ongoing expense (which is harder to quantify). It is important to recognize, though an advisor may have a conflict of interest due to the various offerings of the platform in use, they will strive to act in the

client's best interest. However, to supervise and root out any activities that may not be in the client's best interest we conduct no less frequent than weekly reviews to verify if share classes are located that are in conflict with our policy. If found, they will be converted/redeemed within 30 business days.

Conflict of Interest: The recommendation by certain of Flagship'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 Flagship's Principals and/or representatives. Clients are reminded that they may purchase securities recommended by Flagship through other, non-affiliated broker-dealers.

Flagship 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 Flagship recommends to its clients.

When Flagship's representatives sell an investment product on a commission basis, Flagship 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, Flagship's representatives do not also receive commission compensation for such advisory services. However, a client may engage Flagship to provide investment management services on an advisory fee basis and separate from such advisory services purchase an investment product from Flagship's representatives on a separate commission basis.

Other disclosures for this section: Flagship 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**

Flagship 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**

Flagship provides its services to individuals, pension and profit-sharing plans, trusts, estates, charitable organizations, corporations, and business entities. Flagship does not generally require an annual minimum fee or an aggregate minimum account value for its investment advisory services. Flagship, 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. Flagship does not impose a minimum portfolio size or minimum annual fee.

### **Minimums Imposed by Independent Managers**

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Certain Independent Manager(s) may, however, impose more restrictive account requirements and varying billing practices than Flagship. In such instances, Flagship may alter its corresponding account requirements and/or billing practices to accommodate those of the Independent Manager(s).

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

Flagship's primary methods of analysis are fundamental and technical. Each of Flagship's investment adviser representatives may deviate in their investment strategy. In developing its analysis, Flagship 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. Flagship 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 Flagship will be able to accurately predict such a reoccurrence.

Flagship 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)

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 Flagship) will be profitable or equal any specific performance level(s).

Flagship'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 Flagship must have access to current/new market information. Flagship has no control over the dissemination rate of market information; therefore, unbeknownst to Flagship, certain analyses may be compiled with outdated market information, severely limiting the value of Flagship'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.

Flagship'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 Flagship 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 Flagship 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.

### **Market Risks**

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The profitability of a significant portion of Flagship'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 Flagship 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.

### **Inverse and Leveraged Products**

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Flagship may recommend and engage in trading with leveraged and inverse products. These products are aggressive in nature and carry unusual and significant risk. They are not appropriate for inexperienced investors. These products are intended to be used/traded daily. Most leveraged and inverse ETFs reset on a daily basis and have published prospectuses that state (1) they're designed to achieve their stated objective within one day, (2) clients can lose all of their investment potentially in one day, and (3) holding these securities for periods longer than one day could lead to losses even if the underlying index moves in

the anticipated direction. Regulatory organizations, such as FINRA & SEC, have released alerts stating that inverse and leveraged ETFs that reset daily typically are not suitable for retail investors who plan to hold them longer than one day. Managers may hold these products in client accounts for periods of time significantly greater than one day. Investors with holding periods longer than a day expose themselves to substantial risk as the holding period returns will deviate from the returns to a leveraged or inverse investment in the index. It is possible for an investor in a leveraged ETF to experience negative returns even when the underlying index has positive returns.

### **Use of Independent Manager(s)**

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Flagship may recommend the use of Independent Manager(s) for certain clients. Flagship will continue to do ongoing due diligence of such managers, but such recommendations relies, to a great extent, on the Independent Manager(s) ability to successfully implement their investment strategy.

Currently, Flagship 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).

Flagship 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.

Flagship'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 Flagship'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 Flagship's management of client assets:

1. Initial Interview – at the opening of the account, Flagship, 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 Flagship shall notify the client to advise Flagship 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, Flagship 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 – Flagship 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 Flagship 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).

Flagship 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, Flagship’s annual investment management fee may be higher than that charged by other investment advisers offering similar services/programs. In addition to Flagship’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).

Currently, Flagship 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.

Private Funds: 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.

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

In a Consent Order dated October 2, 2017 ("the Order"), Flagship 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 Flagship failed to register one of its Supervised Persons as an investment adviser representative of Flagship with the Securities Division. Pursuant to the Order, Flagship 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"), Flagship entered into a settlement with the State of New Hampshire Bureau of Securities Regulation ("the Bureau"), related to allegations that Flagship failed to register one of its Supervised Persons as an investment adviser representative of Flagship with the Bureau. Pursuant to the Order, Flagship paid an administrative fine in the amount of \$10,000.

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

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

Registered Representative of LPL: As disclosed above in Item 5.E, certain of Flagship's Principals and representatives are registered representatives of LPL. Certain employees of Flagship are Dually Registered Persons. LPL is a broker-dealer that is independently owned and operated and is not affiliated with Flagship.

Please refer to Item 12 for a discussion of the benefits Flagship may receive from LPL and the conflicts of interest associated with receipt of such benefits.

Neither Flagship, 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.

Licensed Insurance Agents: Certain of Flagship'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 Flagship's representatives to purchase insurance products on a commission basis.

Conflict of Interest: The recommendation by Flagship'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 Flagship's representatives. Clients are reminded that they may purchase securities or insurance products recommended by Flagship through other, non-affiliated insurance agents or broker-dealers. Flagship'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 Flagship'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.

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

Flagship maintains an investment policy relative to personal securities transactions. This investment policy is part of Flagship's overall Code of Ethics, which serves to establish a standard of business conduct for all

of Flagship'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, Flagship also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by Flagship or any person associated with Flagship.

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

Flagship and/or representatives of Flagship may buy or sell securities that are also recommended to clients. This practice may create a situation where Flagship and/or representatives of Flagship 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 Flagship did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, "frontrunning" (i.e., personal trades executed prior to those of Flagship's clients) and other potentially abusive practices.

Flagship has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of Flagship's "Access Persons". Flagship's securities transaction policy requires that an Access Person of Flagship 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 Flagship selects; provided, however that at any time that Flagship has only one Access Person, he or she shall not be required to submit any securities report described above.

Flagship and/or representatives of Flagship may buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where Flagship and/or representatives of Flagship 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, Flagship has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of Flagship's Access Persons.

### Item 12. Brokerage Practices

In the event that the client requests that Flagship recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct Flagship to use a specific broker-dealer/custodian), Flagship generally recommends that investment management accounts be maintained at LPL.

Flagship will generally request that clients establish a brokerage account with LPL to maintain custody of clients' assets and to effect trades for their accounts. LPL provides brokerage and custodial services to independent investment advisory firms, including Flagship. For Flagship accounts custodied at LPL, 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 charges Flagship 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 Flagship negotiates its advisory fee with clients.

While LPL does not participate in, or influence the formulation of, the investment advice Flagship provides, certain supervised persons of Flagship 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 Flagship, but also by LPL.

Clients should also be aware that for accounts where LPL or serves as the custodian, Flagship 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 Flagship 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 Flagship 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 Flagship considers in recommending LPL (or any other broker-dealer/custodian to clients) include historical relationship with Flagship, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by Flagship's clients shall comply with Flagship'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 Flagship 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 Flagship will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. Outside our wrap program, the brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are in addition to Flagship's investment management fee.

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, Flagship 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 Flagship to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by Flagship 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 Flagship 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 Flagship, including accounts not held with LPL.

Flagship'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 Flagship 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. In fulfilling its duties to its clients, Flagship endeavors at all times to put the interests of its clients first. Clients should be aware,

however, that Flagship's receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits may influence Flagship's choice of broker-dealer over another broker-dealer that does not furnish similar software, systems support, or services.

### **Additional Support Provided by Financial Institutions**

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Specifically, Flagship 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, Flagship 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 Flagship in furtherance of the operation and development of its investment advisory business.

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

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As discussed above, certain of Flagship'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.

LPL provides various benefits and payments to certain Advisory Affiliates of Flagship 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.

The receipt of Transition Assistance by such Advisory Affiliates creates conflicts of interest relating to Flagship's advisory business because it creates a financial incentive for Flagship'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 Flagship has an incentive to recommend that clients maintain their account with LPL in order to generate such benefits.

Flagship 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. Flagship 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.

Flagship does not receive referrals from broker-dealers.

Flagship accepts client-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 Flagship 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 Flagship. 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.

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 Flagship 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 Flagship. 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.

To the extent that Flagship provides investment management services to its clients, transactions for each client account generally will be effected independently, unless Flagship decides to purchase or sell the same securities for several clients at approximately the same time. Flagship 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 Flagship'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. Flagship 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. Flagship 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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Flagship has a fiduciary duty to provide services consistent with the client's best interest. As part of its investment advisory services, Flagship will review and monitor client portfolios on an ongoing basis, but at



least quarterly, 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 Flagship determines that changes to a client's portfolio are neither necessary nor prudent. Please note that Flagship may have financial incentives to not migrate infrequently traded wrap fee accounts to brokerage or non-wrap advised accounts since accounts with low trading volumes, high cash balances, or significant fixed income weightings may be able to receive similar services at a lower cost outside of a wrap fee program.

Of course, as indicated below, there can be no assurance that investment decisions made by Flagship 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.

For those clients to whom Flagship provides financial planning and/or consulting services, reviews are conducted on an "as needed" basis. Such reviews are conducted by one of Flagship's investment adviser representatives. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with Flagship and to keep Flagship informed of any changes thereto. Flagship 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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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 Flagship provides financial planning and/or consulting services will receive reports from Flagship summarizing its analysis and conclusions as requested by the client or otherwise agreed to in writing by Flagship.

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

### **Client Referrals**

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

### **Item 15. Custody**

Flagship 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 Flagship provides investment supervisory services may also receive a quarterly report from Flagship summarizing account activity and performance.

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

### **Item 16. Investment Discretion**

Flagship may be given the authority to exercise discretion on behalf of clients. Flagship 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. Flagship is given this authority through a power-of-attorney included in the agreement between Flagship and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). Flagship 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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Flagship, in limited circumstances, accepts the authority to vote a client's securities (i.e. proxies) on their behalf. When Flagship 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 Flagship's Proxy Voting Policies and Procedures, all proxies will be voted consistent with guidelines established and

described in Flagship's Proxy Voting Policies and Procedures, as they may be amended from time to time. Clients may contact Flagship to request information about how Flagship voted proxies for that client's securities or to get a copy of Flagship's Proxy Voting Policies and Procedures. A brief summary of Flagship's Proxy Voting Policies and Procedures is as follows:

- Flagship 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 will vote proxies according to Flagship'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, Flagship devotes an appropriate amount of time and resources to monitor these changes.
- Clients cannot direct Flagship to vote on a particular solicitation but can revoke Flagship'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 Flagship maintains with persons having an interest in the outcome of certain votes, Flagship 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**

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

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