



Form ADV Part 2A – Firm Brochure

Item 1 – Cover Page

Phillips and Company Advisors, LLC

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Date of Disclosure Brochure: September 26, 2013

This disclosure brochure provides information about the qualifications and business practices of Phillips and Company Advisors, LLC (also referred to as we, us and Phillips Advisors throughout this disclosure brochure). If you have any questions about the contents of this disclosure brochure, please contact Joe Harper at 503-224-0858. The information in this disclosure brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Phillips Advisors is also available on the Internet at www.adviserinfo.sec.gov. You can view our firm's information on this website by searching for Phillips and Company Advisors, LLC or our firm's CRD number 35800.

*Registration as an investment adviser does not imply a certain level of skill or training.

Item 2 – Material Changes

Since filing our last annual amendment in June 2013, we have made the following material changes to our disclosure brochure.

- Beginning on or after October 1, 2013 investment advisory accounts of Phillips Advisors will be at Pershing LLC through the Pershing Advisor Solutions platforms (PAS). PAS is brokerage platform allowing Phillips Advisors to serve as investment advisor over client accounts held at PAS. Because PAS is an investment advisor platform, our affiliated broker/dealer, Phillips & Company Securities, Inc. does not serve as introducing broker/dealer or have any other involvement in the servicing of investment advisory accounts held at PAS. Please refer to item 12- Brokerage Practices for more information.
- We have also added a new service to item 4 and item 5 of the brochure. We now offer a program called Account and Portfolio Consultations. Through this program, we are able to provide financial and investment consultations on accounts not managed through one of our other programs we offer. This program allows us to consult on accounts not held through Pershing. Please refer to item 4- Advisory Business and item 5- Fees and Compensation for more information.

We will ensure that you receive a summary of any material changes to this and subsequent disclosure brochures within 120 days after our firm's fiscal year ends. Our firm's fiscal year ends on June 30, so you will receive the summary of material changes no later than September 30 each year. At that time we will also offer or provide a copy of the most current disclosure brochure. We may also provide other ongoing disclosure information about material changes as necessary.

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Item 4 – Advisory Business

Phillips Advisors is an investment adviser registered with the United States Securities and Exchange Commission (“SEC”) and is a limited liability company (LLC) formed under the laws of the State of Delaware.

- Timothy C. Phillips is the Chief Executive Officer (CEO) of Phillips Advisors. Timothy C. Phillips owns 100.00% of Phillips Advisors.
- Phillips Advisors has been registered as an investment adviser since October 2011. Prior to that time, beginning in 2004, the personnel of Phillips Advisors conducted advisory business through Phillips & Company Securities, Inc. in its former capacity as a registered investment adviser. In October 2011, we formed Phillips Advisors and registered the new company as an investment advisor. This change was a corporate structure change and no change in ownership or management occurred.

Introduction

The investment advisory services of Phillips Advisors are provided to you through an appropriately licensed and qualified individual who is an investment adviser representative of Phillips Advisors (referred to as your investment adviser representative throughout this brochure).

Your investment adviser representative is limited to providing the services and charging investment advisory fees in accordance with the descriptions detailed in this brochure. However, the exact services you receive and the fees you will be charged will be specified in your advisory services agreement.

Description of Advisory Services

The following are descriptions of the primary advisory services of Phillips Advisors. Please understand that a written agreement, which details the exact terms of the service, must be signed by you and Phillips Advisors before we can provide you the services described below.

Diversified Managed Money Services – Lockwood Program - Phillips Advisors provides access to products offered by Lockwood Capital Management, Inc. and Lockwood Advisors (“Lockwood”). Your investment adviser representative will work with you to determine the most suitable asset allocation model and/or portfolio style to be selected within the Lockwood program based on your risk objectives and goals. The day-to-day management of Lockwood portfolios, including equity selection, market analysis and due diligence, will be handled by the portfolio managers and/or fund managers chosen by Lockwood. The rebalancing of the portfolios to maintain the selected asset allocation model will be done by Lockwood. Services may include

- Reviewing the Client's investment objectives and goals as outlined by the Client and the Clients' financial Consultant.

- Recommending asset allocation strategies to meet the financial goals of the Client.
- Preparing written investment strategies and plans.
- Recommending specific investment style allocations.
- Identifying tax optimization strategies.
- Searching for investment management vehicles appropriate for the Client's portfolio.
- Hiring independent, unaffiliated money management firm(s) on behalf of the Client.
- Reviewing investment management firms and mutual fund performance to client

Phillips

- Reporting progress toward the Client's investment goals.
- Recommending periodic rebalancing and investment plan fine-tuning.
- Providing confirmations of all transactions.
- Providing account statements of all activity executed through Lockwood.

Please refer to

Item 12 – Brokerage Practices for information on our brokerage arrangement.

Lockwood Investment Strategies Portfolio

Lockwood offers proprietary Lockwood Investment Strategies Portfolio ("LIS"). The LIS product is a discretionary, multi-discipline managed account product housed in a single portfolio. Lockwood, serving as the Portfolio Manager, determines asset allocation strategy and selects money managers/investment vehicles for each investment style component of the portfolios based on proprietary modeling strategies. There are five core models spanning the risk/return spectrum and the portfolios are managed with regard to the investor's tax status for tax-efficiency. LIS accounts shall be billed on a total fee basis, the components of which consist of the following: (i) Lockwood program and management fee; (ii) clearing, custody and execution fees; and (iii) Consultant fee. This product is described more fully in the Lockwood Advisors, Inc. Form ADV disclosure brochure.

Mutual Fund Wrap

Lockwood offers a mutual fund wrap product, which is a discretionary mutual fund product in which Lockwood serves as portfolio manager. For this product, Lockwood charges a 30 basis point advisory fee per account. Client purchases are also subject to standard mutual fund clearing and custody fees, as well as a Consultant fee.

Lockwood offers access to a host of non-advisory financial products to Consultants. These products (for which Lockwood provides no investment advisory services) are subject to specific terms and conditions which vary from the terms of the managed account products and are described more fully in the Lockwood Advisors, Inc. Form ADV disclosure brochure.

Lockwood – AdvisorFlex Portfolios - Lockwood acts as a money manager in offering the AdvisorFlex Portfolio ("AFP") which is a managed account product available on the MAA program. Lockwood is both the sponsor of the MAA program and the money manager of the AFP product.

Until February 28, 2009, Lockwood received asset allocations and certain investment selection suggestions relating to AFP from Standard & Poor's Investment Advisory Services LLC (SPIAS). SPIAS served as a sub-advisor to Lockwood with respect to AFP until that time. After February 28, 2009, Lockwood provides certain of the services previously performed by SPIAS, as described more fully in the Lockwood Advisors, Inc. Form ADV disclosure brochure.

The revised AFP product includes three, objectives-based strategies (Appreciation, Income and Preservation), with multiple Models within each strategy. Until April 3, 2009, AFP consisted of eight (8) models/asset allocation strategies (Models). Effective April 3, 2009, the number of Models expanded to a total of sixteen (16) Models. Accounts opened prior to April 3, 2009, in one of the eight Models will be mapped to the comparable Model within sixteen (16) new Models. The sixteen new Models are described in detail in the Lockwood Advisors, Inc. Form ADV disclosure brochure

These Models are intended to align with the different phases of the investor life cycle, from wealth accumulation, to transition into retirement and ultimately, the management and distribution of income. Each of the Models contains specific investment selections. Disclosures relating to the specific investment selections are contained in Lockwood Form ADV disclosure brochure and should be reviewed in detail by each Client. The Client and his/her Consultant are responsible for selecting the appropriate Model for the Client.

At any time, a Client or the Client's Consultant may determine to move up or down one Model level from the originally selected Model, at their sole discretion.

Until February 28, 2009, Lockwood made available to each Firm the Models and related information, including certain research reports prepared by SPIAS. Effective April 2009, Lockwood shall make available research reports relating to the investment selections within the Models and prepared by Morningstar, Inc. (Morningstar).

For each investment selection within a Model, Lockwood identifies several options from which the Client and his/her Consultant may choose. Within each Model, there will be primary investment selections (Primary Selections) and alternate investment selections (Alternate Selections) from which the Client and his/her Consultant may choose.

Lockwood will implement certain updates and changes to the Models (Model Updates) throughout the life of the Client's AFP account. Each Client has given Lockwood the limited discretion to implement such Model Updates, and the Client and his/her Consultant are responsible for reviewing all such Model Updates. A Model Update may include replacing one investment vehicle with another and/or changing the asset allocation within a Model.

At any time and in Lockwood's sole discretion, Lockwood may reclassify a Primary Selection as an Alternate Selection. In such a case, existing Accounts holding the Primary Selection may retain the Selection or affirmatively change to the new Primary Selection. In each instance, Lockwood will issue an alert to identify the new Primary Selection. In the event that a Primary Selection is eliminated from a Model altogether, all Accounts in the Model will default to the new Primary Selection. In the event that Lockwood removes one of the Alternate Selections, affected Accounts will default to either the Primary Selection or another, available Alternate Selection, as determined by Lockwood.

In certain instances when a Client selects both Primary Selections and Alternative Selections to complete a Model, the mixture of Primary Selections and Alternative Selections may result in changes to the weightings within an asset allocation.

Certain asset classes may contain only Primary Selections; Alternative Selections will not be made available in those cases, in Lockwood's sole discretion.

Lockwood, in its sole discretion, may rebalance a Client Account in such instances as are in the Client's best interests. Lockwood reviews each Account's drift from the selected Model on a regular basis and rebalances a Client Account as the circumstances warrant.

The Client grants limited discretion to his/her Consultant to make changes to Primary Selections and Alternative Selections in Client's AFP account and to make other decisions relating to the AFP Account

on the Client's behalf.

The minimum size for AFP accounts is \$100,000.00, with minimum, subsequent contributions of \$1,000.00. Lockwood, in its sole discretion, may waive the minimum account size. Accounts may be funded with cash equivalents or shares of investment selections included within a given Model.

Concentrated Investment Management Accounts Services – Phillips Advisors offers asset management services through our Concentrated Investment Management Accounts Services, which involves Phillips Advisors providing you with continuous and ongoing supervision over your specified accounts.

Please refer to Item 12 – Brokerage Practices for information regarding our brokerage practices.

You must appoint our firm as your investment adviser of record on specified accounts (collectively, the “Account”). The Account consists only of separate account(s) held by Pershing, LLC (also referred to as the qualified custodian) under your name. The qualified custodians maintain physical custody of all funds and securities of the Account, and you retain all rights of ownership (e.g., right to withdraw securities or cash, exercise or delegate proxy voting and receive transaction confirmations) of the Account.

The Account is managed by us based on your financial situation, investment objectives and risk tolerance. We actively monitor the Account and provide advice regarding buying, selling, reinvesting or holding securities, cash or other investments of the Account.

We will need to obtain certain information from you to determine your financial situation and investment objectives. You will be responsible for notifying us of any updates regarding your financial situation, risk tolerance or investment objective and whether you wish to impose or modify existing investment restrictions; however we will contact you at least annually to discuss any changes or updates regarding your financial situation, risk tolerance or investment objectives. We are always reasonably available to consult with you relative to the status of your Account. You have the ability to impose reasonable restrictions on the management of your accounts, including the ability to instruct us not to purchase certain securities.

It is important that you understand that we manage investments for other clients and may give them advice or take actions for them or for our personal accounts that is different from the advice we provide to you or actions we take for you. We are not obligated to buy, sell or recommend to you any security or other investment that we may buy, sell or recommend for any other clients or for our own accounts.

Conflicts may arise in the allocation of investment opportunities among accounts that we manage. We strive to allocate investment opportunities believed to be appropriate for your account(s) and other accounts advised by our firm among such accounts equitably and consistent with the best interests of all accounts involved. However, there can be no assurance that a particular investment opportunity that comes to our attention will be allocated in any particular manner. If we obtain material, non-public information about a security or its issuer that we may not lawfully use or disclose, we have absolutely no obligation to disclose the information to any client or use it for any client's benefit.

Pension Consulting Services – Phillips Advisors offers pension consulting services to retirement plan sponsors and to individual participants in retirement plans. For a corporate sponsor of a retirement plan, our pension consulting services can include, but are not limited to, the following:

- **Qualified Plan Development.** If needed, Phillips Advisors will assist you with the establishment of a qualified plan by working with you and a selected Third Party Administrator. If you have not already selected a Third Party Administrator, we shall assist you with the review and selection of a Third Party Administrator for the Plan.
- **Investment Selection Services.** Phillips Advisors will provide you with recommendations of suitable investments that may be held within the Plan.

- **Educational Presentations.** Phillips Advisors will provide educational presentations for Plan participants. Presentations to Plan participants are informational in nature and intended to provide an overview of the Plan and the Plan's investment selections. Educational presentations will not take into account the individual circumstances of each participant and individual recommendations will not be provided unless otherwise agreed upon.
- **Due Diligence Review.** Upon request, Phillips Advisors will provide you with periodic due diligence reviews of the Plan, the Plan's fees and expenses, and the Plan's investment options.
- **Participant Enrollment.** Phillips Advisors will support you with Plan participant enrollments.
- **Investment Policy Statement.** Phillips Advisors will help you develop an investment policy statement.

The exact suite of services provided to a client will be listed and detailed in the Qualified Retirement Plan Consulting Agreement.

All recommendations of investment options and portfolios will be submitted to the client for the client's ultimate approval or rejection. Therefore, it is always the client's responsibility to accept investment recommendations of Phillips Advisors and then physically make changes to the plan itself.

In the event a client contracts with Phillips Advisors for one-on-one consulting services with plan participants, such services are consultative in nature and do not involve Phillips Advisors implementing recommendations in individual participant accounts. It will be the responsibility of each participant to implement changes in the participant's individual accounts. We can also meet with individual participants to discuss their specific investment risk tolerance, investment time frame and investment selections.

Summary of Investor Advantage Program - Phillips Advisors has developed and sponsors the Investor Advantage Program (referred to as "Program") which is a wrap-fee program. Only investment advisor representatives of Phillips Advisors may serve as portfolio managers in the Program. Therefore, participants in the Program must be advisory clients of Phillips Advisors. All clients must execute an Investor Advantage Client Agreement prior to establishing an account(s) through Program.

Under the Program, Phillips Advisors provides investment supervisory services defined as giving continuous investment advice to a client and making investments for the client based on the individual needs of the client. Through this service, Phillips Advisors offers a customized and individualized investment program for clients. Various investment strategies are provided under the Program; however, a specific investment strategy and investment policy is crafted to focus on the specific client's goals and objectives. Depending on the client's individual needs, investment recommendations will be made in, but not necessarily limited to, ETF's, no-load mutual funds, funds at NAV, equity positions, and fixed income positions.

The annual management fee charged for Program may be negotiated with each client. The maximum fee charged in the program is 2.20%. Phillips Advisors will provide the exact percentage based fee to each client based on both the nature and total dollar asset value of that account(s). The fee will be stated in the fee schedule which must be signed by both Phillips Advisors and the client. Management fees for client accounts are calculated and billed in advance of each period (monthly or quarterly).

The Program management fee covers Phillips Advisors' advisory services and all trade execution fees charged by the broker/dealer. Specifically, the fee will cover all commissions, prime broker fees, and any other transaction fees relating to the execution of securities transactions within client accounts.

This section is intended as a brief summary of the Program. Clients contracting for the Program will receive the Investor Advantage Program Wrap Fee Brochure which provides detailed information regarding the Program.

Account and Portfolio Consultations - We may provide financial and investment consultations on accounts not managed or maintained by us. Only accounts in which we are not "Investment Advisor" of record on the account are eligible for this service. Accounts are reviewed based upon your specific needs and desires for future financial goals and/or objectives. General or specific recommendations are provided to the client by Phillips Advisors. The service provides continuous and regular consultations provided on a quarterly or more frequent basis.

Through this service, we will not have any authority or responsibility to implement our recommendations. All final decisions to accept our advice and implement our advice are the responsibility of the client. If you have accounts reviewed by our firm and are unable to implement our investment recommendations, it is important to notify us so that we can properly adjust future recommendations.

Clients are always responsible for notifying Phillips Advisors of any changes to their financial situation or investment objectives. We will meet with the client as often as needed to determine the client's financial situation and investment objectives and to find out if the client would like to impose and/or modify any reasonable restrictions on their accounts.

It is important that you understand that Phillips Advisors provides investment advice to other clients and may give them advice or take actions for them or for our personal accounts that is different from the advice we provide to you. We are not obligated in any way to recommend to you any security or other investment that we may buy, sell or recommend for any other clients or for our own accounts.

There can be no assurance that a particular investment opportunity that comes to our attention will be allocated in any particular manner. If we obtain material, non-public information about a security or its issuer that we may not lawfully use or disclose, we have absolutely no obligation to disclose the information to any client or use it for any client's benefit.

Advice to Certain Types of Investments

Phillips Advisors provides investment advice on the following types of investments:

- Mutual Funds
- Exchange Traded Funds (ETFs)
- Exchange-listed Securities
- Certificates of Deposit
- Municipal Securities
- US Government Securities
- Foreign Issues,
- Warrants,
- Corporate debt securities,
- Commercial paper, Variable annuities,
- Variable life insurance,
- Options
- Interests in partnerships investing in real estate, partnerships investing in oil and gas interests, securities properly exempted from registration, and hedge funds. Such investments are often illiquid, which means that the investments can be difficult to trade and consequently limits a client's ability to dispose of such investments in a timely manner and at an advantageous price. Additionally, such investments may not have registered pursuant to the Securities Act of 1933, and therefore the client will need to complete a subscription agreement showing the client is an "accredited" investor (as defined by applicable law and rules and regulations) and acknowledge that he or she has read and understands the private placement memorandum and is aware of the various risk factors associated with such an investment.

It is not our typical investment strategy to attempt to time the market, but we may increase cash holdings modestly as deemed appropriate based on your risk tolerance and our expectations of market behavior.

We may modify our investment strategy to accommodate special situations such as low basis stock, stock options, legacy holdings, inheritances, closely held businesses, collectibles, or special tax situations.

(Please refer to Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss for more information.)

Participation in Wrap Fee Programs

Phillips Advisors offer services through both wrap fee programs and non wrap fee programs. A wrap fee program is defined as any advisory program under which a specified fee or fees not based directly upon transactions in a client's account is charged for investment advisory services (which may include portfolio management or advice concerning the selection of other investment advisers) and the execution of client transactions. Whenever a fee is charged to a client for services described in this brochure (whether wrap fee or non wrap fee), we will receive all or a portion of the fee charged.

Tailor Advisory Services to Individual Needs of Clients

Phillips Advisors' advisory services are always provided based on your individual needs. This means, for example, that when we provide asset management services, you are given the ability to impose restrictions on the accounts we manage for you, including specific investment selections and sectors. We work with you on a one-on-one basis through interviews and questionnaires to determine your investment objectives and suitability information.

We will not enter into an investment adviser relationship with a prospective client whose investment objectives may be considered incompatible with our investment philosophy or strategies or where the prospective client seeks to impose unduly restrictive investment guidelines.

Client Assets Managed by Phillips Advisors

The amount of clients' assets managed by Phillips Advisors totaled \$753,832,149 as of June 6, 2013. \$104,337,303 is managed on a discretionary basis and \$649,494,846 is managed on a non-discretionary basis.

Item 5 – Fees and Compensation

In addition to the information provided in *Item 4 – Advisory Business*, this section provides additional details regarding our firm's services along with descriptions of each service's fees and compensation arrangements.

Phillips Advisors allows your investment adviser representative to set fees within ranges provided by Phillips Advisors. As a result, your investment adviser representative may charge more or less for the same service than another investment adviser representative of Phillips Advisors. It should also be noted that lower fees for comparable service may be available from other sources. The exact fees and other terms will be outlined in the agreement between you and Phillips Advisors.

Lockwood Fees

Fees are based on a percentage of assets under management. Phillips & Company does not collect the fees from the client's account in these types of accounts. All fees are collected by Lockwood. Lockwood then disperses the appropriate portion of the fees to Phillips & Company, the portfolio managers, clearing and custody.

Clients can choose to pay the commissions or fees relative to their account(s) separately or in a bundled fee arrangement as described below. There will be no difference in the fee assessed to the Client under normal circumstances regardless of whether the Client chooses to pay fees separately or bundled. Some Clients may pay more or less than others depending on certain factors, including the type and size of the account(s), the historical or anticipated transaction activity, the range of additional services provided to the account, the amount of Client relationship assets under management with Lockwood, and the

managed account program in which the Client participates. Based on the assets under management and the type of portfolio selected, fees may be in excess of industry norm and other companies may offer the same or similar services at a lower fee.

Through contractual arrangements with certain broker/dealers and investment advisers, Lockwood may, where it deems appropriate, delegate some of its responsibilities to the broker/dealers and investment advisers pursuant to Rule 3a-4 of the Investment Company Act of 1940. When such delegations are made, Lockwood may pay the administrative portion of its fee indicated herein to the other broker dealer or investment adviser.

The total fee assessed will vary depending on the services you select. Typically, fees include the Lockwood advisory or program fee, Manager(s) fee, clearing and custody fee and Phillips Advisors' fee, as described below. Fees are calculated as an annual percentage of assets based on the value of the account. Fees are billed prorated at inception of the account for the remainder of the calendar quarter and quarterly thereafter.

Each Manager sets and charges fees independently of one another and, as such, fees may vary from Manager to Manager as described below. Similarly, the Consultants set and charge fees independently and the fees charged by Consultants may vary accordingly. Unless the Client instructs otherwise, Lockwood generally debits the Client's account for the fees charged by Lockwood, its clearing agent, the selected Manager(s) and Phillips & Company and remits the fees to the respective parties accordingly. Clients are also advised that they may pay more or less for services at Lockwood than they would if they purchased similar services separately from other providers.

In addition to the aforementioned, there may be other costs assessed which are not included in a variable rate bundled or wrap fee arrangement, such as dealer mark- ups, costs associated with the purchase and sale of certain mutual funds, odd- lot differentials, exchange or auction fees, transfer taxes, costs for transactions executed other than at Lockwood, electronic fund and wire transfers, fees imposed on cash management accounts, trust services charges and other charges mandated by law. Further, interest will normally be charged on a debit balance in a Client account. If Pershing has custody of the assets, it will credit interest and dividends to the account.

Bundled Fee Schedule (Lockwood advisory or program fee, Manager(s) fee, clearing and custody fee and Phillips & Company's fee)

Assets Under Management	Equity Portfolio Fee	Fixed Income Portfolio Fee
\$499,999 or less	2.35%	1.80%
\$500,000 - \$749,999	2.10%	1.65%
\$750,000 - \$999,999	1.90%	1.40%
\$1,000,000 - \$1,500,000	1.75%	1.65%
Over \$1,500,000	Negotiated	Negotiated

Clients are also advised that they may pay more or less for services at Lockwood than they would if they purchased similar services separately from other providers.

Lockwood Advisory Charge

Lockwood charges its managed account Clients who are introduced by Consultants a fee for investment advisory services which may include strategic asset allocation, investment style allocation, investment management research and evaluation, manager hiring and termination or changes, progress reports, portfolio rebalancing, certain Client level consulting services and other administrative services.

The Lockwood charges are a percentage of Client relationship assets under advisement which may vary depending on the asset size of the Client relationship and the services provided to the Client, as described above.

Lockwood Equity Fee

Under \$1 Million		\$1 million - \$4,999,999	Over \$5 Million	
First \$500,000	0.50%	First \$1,000,000 0.4275%	First \$5,000,000	0.33%
Next \$499,999	0.45%	Next \$3,999,999 0.36%	Next \$1,000,000	0.26%
			Next \$2,000,000	0.25%
			Next \$2,000,000	0.24%
			Over \$10,000,000	0.22%

Lockwood Fixed Income Fee

Under \$1 Million	\$1 million - \$4,999,999	Over \$5 Million
First \$500,000 0.25%	First \$1,000,000 0.21375%	First \$5,000,000 0.18675%
Next \$499,999 0.2255%	Next \$3,999,999 0.18%	Over \$5,000,000 0.1575%

Independent Investment Managers Fee

As described above, independent investment managers are contractually engaged on behalf of, or by, the Client for the day-to-day management of the account(s). The fees for this service will vary as each Manager sets its fee independently; however, the Managers fees typically range between 0.20% - 0.75% of assets annually on an account basis, depending on the size of the Client relationship and style of management. Lockwood has entered into master contractual arrangements with Managers who have agreed to manage accounts for the fees indicated at the end of their Form ADV disclosure brochure. Manager changes will not necessarily result in a change in the total fee to the Client in a bundled fee arrangement.

Clearing and Transaction Charge

In addition to advisory fees, there are also charges for custody, clearing and execution provided by Lockwood through a clearing, custody and execution arrangement with Pershing. Please refer to Item 12 – Brokerage Practices for more information.

Clients with accounts custodied at Pershing pay a fee calculated as a percentage of assets under management for clearing transactions executed through Lockwood on an account by- account basis according to the schedule below.

Clients may direct Lockwood to execute securities transactions through broker-dealers other than Lockwood. In such cases, if the Client negotiates applicable commission rates or fees with such broker-dealers, the Client may pay higher or lower transaction costs or fees than if the transactions were effected through Lockwood. Clients may also elect to pay Lockwood transaction costs rather than the asset-based

fee below. For certain institutional accounts in excess of \$5,000,000, a ticket charge of \$14 per transaction may be applicable.

Asset Level	Equity Fixed	Income
First \$250,000	0.25%	0.15%
Next \$500,000	0.10%	0.10%
Next \$1,000,000	0.08%	0.05%
Next \$5,000,000	0.07%	0.04%
Next \$10,000,000	0.06%	0.03%
Over \$16,750,000	Negotiable	Negotiable

With respect to the Sovereign Advisers short duration cash management product, there is a \$25.00 ticket charge. Lockwood does not act as principal with respect to trades; however, Pershing, a Lockwood

affiliate, may in certain instances act as principal with respect to certain trades.

AdvisorFlex Portfolios

The fee for AFP accounts is billed quarterly in advance as follows:

Account Level Program Fee (in basis points)

First \$500,000 40

Next \$500,000 35

Over \$1,000,000 25

Phillips may add an additional fee to the AFP fee schedule, above, as such Phillips discloses to its Clients.

The Program Fee includes the Lockwood advisory fee, sponsor fee and a clearing, custody and execution fee paid to Lockwood's affiliate, Pershing LLC. Additional expenses associated with the specific underlying investment vehicles (such as, 12b-1 fees, redemption fee and internal expense fees) may apply. Mutual funds used in AFP accounts may charge a redemption fee if shares are redeemed within a

specified period of time. Clients may incur redemption fees in the event that a Model Update is implemented. Redemption fees vary by fund and are described in each fund's prospectus. The mutual funds used in AFP are provided through Pershing LLC; as a result Pershing may be paid certain fees relating to these funds. Please refer to Item 12 – Brokerage Practices for more information.

It should be noted that Accounts within the AFP program may be householded for billing purposes, subject to certain restrictions.

Billing Periods

At inception, fees are billed from the date the account is opened through the end of that calendar quarter in advance. Thereafter, fees are billed in advance for the next calendar quarter based upon the value of the assets at the end of the prior calendar quarter. A prorated fee will be charged on each post- inception deposit in excess of \$5,000.

Termination

Clients may terminate their account agreement, without penalty, within five (5) days of Lockwood's execution of the investment advisory agreement. Thereafter, Clients may terminate the accounts at any time in which case fees will be prorated through the termination date. Lockwood charges a termination fee of \$300 during the first year of an account. Since Lockwood typically charges quarterly in advance based on the assets as of the close of business the prior quarter, the daily proration upon termination after the first year may result in a rebate to the Client of the unused portion of the quarterly fee. If a refund is due, the appropriate amount will be credited to the client's account and mailed to client.

Concentrated Investment Management Accounts Services

Fees charged for our Concentrated Investment Management Accounts Service are charged based on a percentage of assets under management, billed in advance (at the start of the billing period) on a quarterly calendar basis and calculated based on the fair market value of your account as of the last business day of the previous billing period. Fees are prorated (based on the number of days service is provided during the initial billing period) for your account opened at any time other than the beginning of the billing period. If asset management services are commenced in the middle of the billing period, then the prorated fee for that billing period is due immediately and will be deducted from Account when services commence.

The Concentrated Investment Management Accounts services continue until terminated by either party (i.e., Phillips Advisors or you) by giving thirty (30) days written notice to the other party. Any prepaid, unearned fees will be promptly refunded by Phillips Advisors to you. Fee refunds will be determined on a pro rata basis using the number of days services are actually provided during the final period.

Fees charged for our asset management services are negotiable based on the investment adviser representative providing the services, the type of client, the complexity of the client's situation, the relationship of the client with the investment adviser representative, and the total amount of assets under management for the client.

For our asset management services, clients will be charged the following annual fee based upon the amount of assets under management:

Assets under Management	Annual Fees
\$0 – \$100,000	2.75%
\$100,001 – \$250,000	2.25%
\$250,001 – \$500,000	2.00%
\$500,001 – \$750,000	1.75%
\$750,001 – \$1,000,000	1.50%
\$1,000,001 – \$5,000,000	1.25%
\$5,000,001 – \$0	Negotiable

We impose a minimum fee of \$500.00.

Phillips Advisors believes that its annual fee is reasonable in relation to: (1) services provided and (2) the fees charged by other investment advisers offering similar services/programs. However, our annual investment advisory fee may be higher than that charged by other investment advisers offering similar services/programs. In addition to our compensation, you may also incur charges imposed at the mutual fund level (e.g., advisory fees and other fund expenses).

You can choose how to pay your investment advisory fees. The investment advisory fees can be deducted from your account and paid directly to our firm by the qualified custodian(s) of your account or you can pay our firm upon receipt of a billing notice sent directly to you.

If you choose to have the investment advisory fees deducted from your account, you must authorize the qualified custodian(s) of your account to deduct fees from your account and pay such fees directly to Phillips Advisors.

You should review your account statements received from the qualified custodian(s) and verify that appropriate investment advisory fees are being deducted. The qualified custodian(s) will not verify the accuracy of the investment advisory fees deducted.

If you choose to pay the fees after receiving a statement, fees are due upon your receipt of a billing notice sent directly to you. The billing notice will detail the formula used to calculate the fee, the assets under management and the time period covered. Fees for the services of our firm will be due immediately after your receipt of the billing notice.

Brokerage commissions and/or transaction ticket fees charged by Pershing, LLC and Phillips & Company Securities, Inc. are billed directly to you by the qualified custodian. Specific to accounts established through Phillips & Company Securities, Inc. as the introducing broker/dealer, **Phillips & Company Securities, Inc. will receive a portion of such fees from you as the introducing broker/dealer.** Specifically, Phillips & Company Securities, Inc. receives a portion of the transaction costs and handling fees assessed to your account. Phillips & Company Securities, Inc. also receives compensation from Pershing based on the amount of assets held at Pershing. This creates an incentive for us to recommend and require Phillips & Company Securities, Inc. over other, non-affiliated broker/dealers.

For accounts established directly with Pershing, LLC through Pershing Advisor Solutions, neither Phillips Advisors or

Phillips & Company Securities, Inc. receive any portion of the brokerage fees and expenses. Please refer to Item 12 – Brokerage Practices for more information.

In addition, you may incur certain charges imposed by third parties other than Phillips Advisors in connection with investments made through your account including, but not limited to, mutual fund sales loads, 12(b)-1 fees and surrender charges, variable annuity fees and surrender charges when liquidating such investments to be transferred to an account, IRA and qualified retirement plan fees, and charges imposed by the qualified custodian(s) of your account. Management fees charged by Phillips Advisors are separate and distinct from the fees and expenses charged by investment company securities that may be recommended to you. Specific to accounts established through Phillips & Company Securities, Inc. as the introducing broker/dealer, **Phillips & Company Securities, Inc. and our investment advisor representative will retain a portion of 12b-1 fees paid in their separate capacities as a broker/dealer and registered representatives.** A description of these fees and expenses are available in each investment company security's prospectus.

Pension Consulting Services

For retirement plan sponsors, we charge an annual fee of 0.25% - 0.50% on the assets held in the plan. This fee is negotiable based upon the size of the plan assets and the actual services requested to be provided, such as whether or not ongoing monitoring is required and the number of employee education meetings requested.

In lieu of charging the plan, we may charge a fee to the individual participants. In these cases, we charge a percentage of the participant's account value. The percentage fee ranges from 0.25% - 0.50% per year on the assets held in the plan. Fees are negotiable based upon the actual services requested and the complexity of the participant's situation.

For retirement plan sponsors and participants, fees are billed in advance (at the start of the billing period) on a quarterly calendar basis and calculated based on the average daily balance of your account during the previous billing period. Fees are prorated (based on the number of days service is provided during the initial billing period) for your account opened at any time other than the beginning of the billing period. Retirement plan sponsors may also elect to pay all or a portion of fees for the individualized services provided by us to the plan participants.

Fees will be sent directly to the client and due upon receipt of the billing notice.

Services can be terminated by either party by providing written notice to the other and termination is effective 30 days from the date notice is received. During that 30 day period, we will complete any activities that were in progress when notice of termination was received but will not begin any new services without express instruction from the client. If services are terminated within five business days of signing the client agreement, services are terminated without penalty. Any prepaid but unearned fees are promptly refunded to the client at the effective date of termination.

Pension consulting services are not management services, and Phillips Advisors does not serve as administrator or trustee of the plan. Phillips Advisors does not act as custodian for any client account or have access to client funds or securities (with the exception of, some accounts, having written authorization from the client to deduct our fees). In addition, we do not implement any transactions in a retirement plan or participant's account. For pension consulting services, the retirement plan or the plan participant who elects to implement any recommendations made by us is solely responsible for implementing all transactions.

Fees for Account and Portfolio Consultations

The typical fee charged for Account and Portfolio Consultations will range between .05% and 1.75%_ annually on the total assets being reviewed. Fees are billed quarterly, in advance. Initial fees are pro-rated based on the number of days services are remaining

in the first quarter. If you have a managed account through one of the other programs offered by Phillip & Advisors, you may elect to have the fees for Account and Portfolio Consultations billed from the managed account. Otherwise, fees will be due upon receipt of a billing statement from us. The exact fee charged each client is contingent upon the nature and complexity of the client's financial circumstances and will be stated in the agreement for services with the client.

Either party may terminate the agreement by providing notice to the other party. Termination will be effective upon receipt of notification. The final fee will be pro-rated and billed to the client. In the event a client terminates services, termination shall be effective from the time we receive notification or such other time as may be mutually agreed upon. There will be no penalty charge upon termination. In the event we terminate the relationship, the Agreement will be terminated after written notification is delivered to the client or such time as may be mutually agreed upon.

In addition to fees charged by our firm, you may incur certain charges imposed by third parties other than Phillips Advisors in connection with investments made through your account including, but not limited to, mutual fund sales loads, 12b-1 fees and surrender charges, variable annuity fees and surrender charges when liquidating such investments to be transferred to an account, IRA and qualified retirement plan fees, and charges imposed by the qualified custodian(s) of your account. Management fees charged by Phillips Advisors are separate and distinct from the fees and expenses charged by investment company securities that may be recommended to you. A description of these fees and expenses are available in each investment company security's prospectus. We do not share in or receive any portion of the other fees and expenses charged to your account. The only fee we receive for this service is our standard advisory fee described in the first paragraph of this section.

Item 6 – Performance-Based Fees and Side-By-Side Management

Performance-based fees are defined as fees based on a share of capital gains on or capital appreciation of the assets held in a client's account. *Item 6* is not applicable to this Disclosure Brochure because we do not charge or accept performance-based fees.

Item 7 – Types of Clients

Phillips Advisors generally provides investment advice to the following types of clients:

- Individuals
- High net worth individuals
- Trusts, estates, or charitable organizations
- Corporations or business entities other than those listed above

You are required to execute a written agreement with Phillips Advisors specifying the particular advisory services in order to establish a client arrangement with Phillips Advisors.

Minimum Investment Amounts Required

There are no minimum investment amounts or conditions required for establishing an account managed by Phillips Advisors. However, all clients are required to execute an agreement for services in order to establish a client arrangement with Phillips Advisors and/or the third-party money manager or the sponsor of third-party money manager platforms.

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis

Phillips Advisors uses the following methods of analysis in formulating investment advice:

Cyclical – This method analyzes the investments sensitive to business cycles and whose performance is strongly tied to the overall economy. For example, cyclical companies tend to make products or provide services that are in lower demand during downturns in the economy and in higher demand during upswings. Examples include the automobile, steel, and housing industries. The stock price of a cyclical company will often rise just before an economic upturn begins, and fall just before a downturn begins. Investors in cyclical stocks try to make the largest gains by buying the stock at the bottom of a business cycle, just before a turnaround begins.

While most economists and investors agree that there are cycles in the economy that need to be respected, the duration of such cycles is generally unknown. An investment decision to buy at the bottom of a business cycle may actually turn out to be a trade that occurs before or after the bottom of the cycle. If done before the bottom, then downside price action can result prior to any gains. If done after the bottom, then some upside price action may be missed. Similarly, a sell decision meant to occur at the top of a cycle may result in missed opportunity or unrealized losses.

Fundamental – This is a method of evaluating a security by attempting to measure its intrinsic value by examining related economic, financial and other qualitative and quantitative factors. Fundamental analysts attempt to study everything that can affect the security's value, including macroeconomic factors (like the overall economy and industry conditions) and individually specific factors (like the financial condition and management of a company). The end goal of performing fundamental analysis is to produce a value that an investor can compare with the security's current price in hopes of figuring out what sort of position to take with that security (underpriced = buy, overpriced = sell or short). Fundamental analysis is considered to be the opposite of technical analysis. Fundamental analysis is about using real data to evaluate a security's value. Although most analysts use fundamental analysis to value stocks, this method of valuation can be used for just about any type of security.

The risk associated with fundamental analysis is that it is somewhat subjective. While a quantitative approach is possible, fundamental analysis usually entails a qualitative assessment of how market forces interact with one another in their impact on the investment in question. It is possible for those market forces to point in different directions, thus necessitating an interpretation of which forces will be dominant. This interpretation may be wrong, and could therefore lead to an unfavorable investment decision.

Technical – This is a method of evaluating securities by analyzing statistics generated by market activity, such as past prices and volume. Technical analysts do not attempt to measure a security's intrinsic value, but instead use charts and other tools to identify patterns that can suggest future activity. Technical analysts believe that the historical performance of stocks and markets are indications of future performance.

Technical analysis is even more subjective than fundamental analysis in that it relies on proper interpretation of a given security's price and trading volume data. A decision might be made based on a historical move in a certain direction that was accompanied by heavy volume; however, that heavy volume may only be heavy relative to past volume for the security in question, but not compared to the future trading volume. Therefore, there is the risk of a trading decision being made incorrectly, since future trading volume is an unknown. Technical analysis is also done through observation of various market sentiment readings, many of which are quantitative. Market sentiment gauges the relative degree of bullishness and bearishness in a given security, and a contrarian investor utilizes such sentiment advantageously. When most traders are bullish, then there are very few traders left in a position to buy the security in question, so it becomes advantageous to sell it ahead of the crowd. When most traders are bearish, then there are very few traders left in a position to sell the security in question, so it becomes advantageous to buy it ahead of the crowd. The risk in utilization of such sentiment technical measures is that a very bullish reading can always become more bullish, resulting in lost

opportunity if the money manager chooses to act upon the bullish signal by selling out of a position. The reverse is also true in that a bearish reading of sentiment can always become more bearish, which may result in a premature purchase of a security.

Investment Strategies

Phillips Advisors uses the following investment strategies when managing client assets and/or providing investment advice:

Long term purchases. Investments held at least a year.

Short term purchases. Investments sold within a year.

Frequent trading. This strategy refers to the practice of selling investments within 30 days of purchase.

Margin transactions. When an investor buys a stock on margin, the investor pays for part of the purchase and borrows the rest of the purchase price from a brokerage firm. For example, an investor may buy \$5,000 worth of stock in a margin account by paying for \$2,500 and borrowing \$2,500 from a brokerage firm. Clients cannot borrow stock from Phillips Advisors.

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, and bonds, etc.) 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 with investing in securities through our investment management program, as described below:

- **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 the 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 a an ETF or mutual fund, you will 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. You will 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.
- **Margin Risk -** When you purchase securities, you may pay for the securities in full or borrow part of the purchase price from your account custodian or clearing firm. If you intended to borrow funds in connection with your Account, you will be required to open a margin account, which will be carried by the clearing firm. The securities purchased in such an account are the clearing firm's collateral for its loan to you.

If those securities in a margin account decline in value, the value of the collateral supporting this loan also declines, and as a result, the brokerage firm is required to take action in order to maintain the necessary level of equity in your account. The brokerage firm may issue a margin call and/or sell other assets in your account.

It is important that you fully understand the risks involved in trading securities on margin, which are applicable to any margin account that you may maintain, including any margin account that may be established as part of the Asset Management Agreement established between you and Phillips Advisors and held by the account custodian or clearing firm.

These risks include the following:

- You can lose more funds than you deposit in your margin account.
- The account custodian or clearing firm can force the sale of securities or other assets in your account.
- The account custodian or clearing firm can sell your securities or other assets without contacting you.
- You are not entitled to choose which securities or other assets in your margin account may be liquidated or sold to meet a margin call.
- The account custodian or clearing firm may move securities held in your cash account to your margin account and pledge the transferred securities.
- The account custodian or clearing firm can increase its "house" maintenance margin requirements at any time and they are not required to provide you advance written notice.
- You are not entitled to an extension of time on a margin call.

Item 9 – Disciplinary Information

Item 9 is not applicable to this Disclosure Brochure because there are no legal or disciplinary events that are material to a client's or prospective client's evaluation of our business or integrity.

Item 10 – Other Financial Industry Activities and Affiliations

Phillips Advisors is **not** and does **not** have a related person that is an investment company or other

pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund), an other investment adviser or financial planner, a futures commission merchant, commodity pool operator, or commodity trading advisor, a banking or thrift institution, an accountant or accounting firm, a lawyer or law firm, an insurance company or agency, a pension consultant, a real estate broker or dealer, and a sponsor or syndicator of limited partnerships.

We are an independent registered investment adviser and only provide investment advisory services. We are not engaged in any other business activities and offer no other services except those described in this Disclosure Brochure. However, while we do not sell products or services other than investment advice, our representatives may sell other products or provide services outside of their role as investment adviser representatives with us.

Registered Representative of a Broker-Dealer

Phillips Advisors is under common ownership with a full-service, introducing broker/dealer, Phillips & Company Securities, Inc., member of FINRA and SIPC. Our representatives are also registered representatives of Phillips & Company Securities, Inc. You may work with your investment adviser representative in his or her separate capacity as a registered representative of Phillips & Company Securities, Inc. When acting in his or her separate capacity as a registered representative, your investment adviser representative may sell, for commissions, general securities products such as stocks, bonds, mutual funds, exchange-traded funds, and variable annuity and variable life products to you. As such, your investment adviser representative may suggest that you implement investment advice by purchasing securities products through a commission-based brokerage account in addition to or in lieu of a fee-based investment-advisory account. This receipt of commissions creates an incentive to recommend those products for which your investment adviser representative will receive a commission in his or her separate capacity as a registered representative of a securities broker-dealer. Consequently, the objectivity of the advice rendered to you could be biased.

You are under no obligation to use the services of our representatives in this separate capacity or to use Phillips & Company Securities, Inc. and can select any broker/dealer you wish to implement securities transactions. If you select our representatives to implement securities transactions in their separate capacity as registered representatives, they must use Phillips & Company Securities, Inc. Prior to effecting any such transactions, you are required to enter into a new account agreement with Phillips & Company Securities, Inc. The commissions charged by Phillips & Company Securities, Inc. may be higher or lower than those charged by other broker/dealers. In addition, the registered representatives may also receive additional ongoing 12b-1 fees for mutual fund purchases from the mutual fund company during the period that you maintain the mutual fund investment.

Insurance Agent

You may work with your investment adviser representative in his or her separate capacity as an insurance agent to review and/or purchase variable annuity products. As such, your investment adviser representative in his or her separate capacity as an insurance agent may suggest that you implement recommendations of Phillips Advisors by purchasing variable annuity insurance products. If you choose to purchase a variable annuity through your investment adviser representative in his or her capacity as an insurance agent and registered representative, commissions will be earned by the investment adviser representative. The receipt of commissions creates an incentive for the representative to recommend those products for which your investment adviser representative will receive a commission in his or her separate capacity as an insurance agent. Consequently, the advice rendered to you could be biased. You are under no obligation to implement any insurance or annuity transaction through your investment adviser representative.

Item 11 – Code of Ethics, Participation in Client Transactions and Personal Trading

Code of Ethics Summary

According to the *Investment Advisers Act of 1940*, an investment adviser is considered a fiduciary and has a fiduciary duty to all clients. Phillips Advisors has established a Code of Ethics to comply with the

requirements of Section 204(A)-1 of the *Investment Advisers Act of 1940* that reflects its fiduciary obligations and those of its supervised persons. The Code of Ethics also requires compliance with federal securities laws. The Code of Ethics covers all individuals that are classified as “supervised persons”. All employees, officers, directors and investment adviser representatives are classified as supervised persons. Phillips Advisors requires its supervised persons to consistently act in your best interest in all advisory activities. Phillips Advisors imposes certain requirements on its affiliates and supervised persons to ensure that they meet the firm’s fiduciary responsibilities to you. The standard of conduct required is higher than ordinarily required and encountered in commercial business.

This section is intended to provide a summary description of the Code of Ethics of Phillips Advisors. If you wish to review the Code of Ethics in its entirety, you should send us a written request and upon receipt of your request, we will promptly provide a copy of the Code of Ethics to you.

Affiliate and Employee Personal Securities Transactions Disclosure

Phillips Advisors or associated persons of the firm may buy or sell for their personal accounts, investment products identical to those recommended to clients. This creates a potential conflict of interest. It is the express policy of Phillips Advisors that all persons associated in any manner with our firm must place clients’ interests ahead of their own when implementing personal investments. Phillips Advisors and its associated persons will not buy or sell securities for their personal account(s) where their decision is derived, in whole or in part, by information obtained as a result of employment or association with our firm unless the information is also available to the investing public upon reasonable inquiry.

We are now and will continue to be in compliance with applicable state and federal rules and regulations. To prevent conflicts of interest, we have developed written supervisory procedures that include personal investment and trading policies for our representatives, employees and their immediate family members (collectively, associated persons):

- Associated persons cannot prefer their own interests to that of the client.
- Associated persons cannot purchase or sell any security for their personal accounts prior to implementing transactions for client accounts.
- Associated persons cannot buy or sell securities for their personal accounts when those decisions are based on information obtained as a result of their employment, unless that information is also available to the investing public upon reasonable inquiry.
- Associated persons are prohibited from purchasing or selling securities of companies in which any client is deemed an “insider”.
- Associated persons are discouraged from conducting frequent personal trading.
- Associated persons are generally prohibited from serving as board members of publicly traded companies unless an exception has been granted to the Chief Compliance Officer of Phillips Advisors.

Any associated person not observing our policies is subject to sanctions up to and including termination.

Item 12 – Brokerage Practices

Arrangement with Phillips & Company Securities, Inc. and Pershing, LLC

If clients wish to have our advisor representatives implement investment advice in their capacity as registered securities representatives and for accounts established prior to October 1, 2013, in the advisory programs detailed in this brochure, our affiliated broker/dealer, Phillips & Company Securities, Inc. (“Phillips & Company”), must be used. Our advisor representatives are also registered securities representatives of Phillips & Company and are required to use the services of Phillips & Company and Phillips & Company’s approved clearing broker-dealer when acting in their capacity as registered representatives. Phillips & Company serves as the introducing broker-dealer. All accounts established through Phillips & Company will be cleared and held at Pershing, LLC which acts as the qualified custodian.

Advisory accounts established on or after October 1, 2013 will be held directly at Pershing, LLC through the Pershing Advisor Solutions platform. This is an investment advisor platform and therefore our affiliated company, Phillips & Company Securities, Inc. does **not** serve as an introducing broker/dealer or have any other involvement in the servicing of managed accounts.

Phillips & Company has a wide range of approved securities products for which Phillips & Company performs due diligence prior to selection. Phillips & Company's registered representatives are required to adhere to these products when implementing securities transactions through Phillips & Company.

The requirement to use Phillips & Company is based on our decision that we can provide efficient and cost-effective services through our affiliated broker/dealer. However, the use of an affiliated broker/dealer is an inherent conflict of interest between Phillips Advisors and its clients because requiring our clients to use Phillips & Company as the broker/dealer allows Phillips & Company to retain brokerage revenue that would otherwise be retained by an unaffiliated broker/dealer. Clients should understand that not all investment advisors require the use of a particular broker/dealer or require the use of a broker/dealer that is affiliated with the investment advisor.

The requirement to use Pershing, LLC ("Pershing") (which is not affiliated with Phillips & Company/Phillips Advisors) is based on the fact that Phillips & Company has established a clearing agreement with Pershing as its preferred clearing broker/dealer and qualified custodian. Because Phillips Advisors and Phillips & Company are under common ownership and have mutual executive officers and control persons, the decision to use Pershing was mutually determined by both Phillips & Company and Phillips Advisors. The decision to use Pershing is based on past experiences, minimizing brokerage expenses and other costs as well as offerings or services Pershing provides that Phillips & Company, Phillips Advisors or clients may require or find valuable. There are some investment advisors that permit the use of multiple broker/dealers and permit clients to select the broker/dealer. We have considered the positive factors to this approach which include the ability to better negotiate brokerage costs such as transaction fees, the ability to better analyze speed of execution, and the ability to compare and negotiate services. However, we have determined that the use of one brokerage platform (Phillips & Company/Pershing) allows us to provide more streamlined operational and trading services. We consider the fact that allowing multiple brokerage arrangements would increase the need for additional internal staff and technology which may increase the overall fees charged to Phillips Advisors clients. By selecting one brokerage platform, Phillips Advisors is able to avoid additional compliance, recordkeeping, staffing, and technological costs that may be associated with implementing procedures designed to work with multiple brokerage platforms. Considering all factors in relation to our structure and capacities, we have concluded that requiring one brokerage platform (Phillips & Company/Pershing) is a better policy than permitting multiple brokerage arrangements including client directed brokerage arrangements. However, the current policy may change in the future and if we decide to permit other brokerage arrangements all clients will be made aware of the change in policy.

Phillips Advisors may not necessarily obtain the lowest possible commission and brokerage rates for client account transactions. Therefore, the overall services provided by both Phillips & Company and Pershing are evaluated to determine the level of best execution provided to clients. However, considering Phillips Advisors requires its clients to use the brokerage services of Phillips & Company and Pershing, Phillips Advisors may not be able to achieve the *most* favorable execution of client transactions and therefore our practice of requiring the use of Phillips & Company and Pershing may cost clients more money compared to advisory programs offered by other investment advisors.

While clients may be able to attain brokerage services with lower costs and expenses, clients should be aware of some of the qualitative factors Phillips Advisors considers for selecting Phillips & Company and Pershing as its required Program brokerage platform. These factors include, but are not necessarily limited to, being able to rely on the internal staff of Phillips & Company to provide operations, trading, and other services.

Pershing is able to provide numerous specialized service groups and a Client Service Manager who is dedicated to servicing our accounts. Their back-office system generates exception reports designed to monitor all aspects of brokerage accounts, including trading, money movement, transfers, and client account data. Client paperwork is processed through a secure electronic workflow and storage system. Pershing's electronic trading platform provides a real-time order matching system, ability to "block" client trades, investment research tools, automated rebalancing, account balance and position information, and access to mutual fund families, many of which have no transaction fees. Clients may access their account information over the internet, including balances, transactions, positions, statements, confirmations, and tax documents. Advisory fees can be calculated on aggregated account balances and are debited directly from client accounts

Pershing Advisor Solutions, LLC

Advisory accounts established on or after October 1, 2013 will be held directly at Pershing, LLC through the Pershing Advisor Solutions, LLC platform. This is an investment advisor platform and therefore our affiliated company, Phillips & Company Securities, Inc. does **not** serve as an introducing broker/dealer or have any other involvement in the servicing of managed accounts.

Pershing Advisor Solutions, LLC (PAS) can best be described as an institutional RIA platform. An institutional RIA platform allows a client to grant Phillips Advisors limited power of attorney to have trading authority over the client's account held by the broker/dealer, in this case Pershing, LLC. Phillips Advisors is independently owned and operated and not affiliated with Pershing, LLC or PAS.

Phillips Advisors' decision to use PAS is based on numerous factors. Institutional trading and custody services are typically not available to the same providers' retail investors. Institutional services generally are available to Investment Advisers on an unsolicited basis at no charge to them. Institutional services include brokerage, custody, research and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For client accounts maintained at PAS, PAS does not charge separately for custody but is compensated by account holders through commissions or other transaction-related fees for securities trades that are executed through or that settle into platform accounts. When evaluating institutional RIA platforms, Phillips Advisors considers other products and services that assist Phillips Advisors in managing and administering clients' accounts. While these products and services benefit Phillips Advisors and its Advisor Representatives, they may not necessarily benefit every Phillips Advisors client. Services and products that Phillips Advisors actively considers and evaluates include software and other technology that provide access to client account data (such as trade confirmation and account statements); facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts); provide research, pricing information and other market data; facilitate payment of Phillips Advisors' fees from its clients' accounts; and assist with back-office functions; recordkeeping and client reporting.

Many of these services generally may be used to service all or a substantial number of Phillips Advisors accounts, including accounts not maintained on the institutional RIA platform that provides the services. Phillips Advisors will also evaluate services available that are intended to help Phillips Advisors and its Advisor Representatives manage and further develop its business enterprise. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance and marketing. In addition, institutional RIA platforms may make available, arrange and/or pay for these types of services rendered to Phillips Advisors

and its Advisor Representatives by an independent third party providing these services to Phillips Advisors. While as a fiduciary, Phillips Advisors endeavors to act in its clients' best interests, Phillips Advisors recommendations or requirements that clients maintain their assets in accounts at a particular institutional RIA platform like PAS may be based in part on the benefit to Phillips Advisors of the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by the institutional RIA platform, which may create a potential conflict of interest.

Aggregation of Client Orders

For **Lockwood** accounts, transactions implemented are generally traded on an aggregated basis. This means the same securities for several clients are purchased or sold at approximately the same time. This process is also referred to as batch trading or block trading. When trades are aggregated, the allocation of securities among client accounts will be done on a fair and equitable basis. Typically, the process of aggregating client orders is done in order to achieve better execution, to negotiate more favorable commission rates or to allocate orders among clients on a more equitable basis in order to avoid differences in prices and transaction fees or other transaction costs that might be obtained when orders are placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among Phillips Advisors clients in proportion to the purchase and sale orders placed for each client account on any given day. When it is determined to aggregate client orders for the purchase or sale of securities, including securities in which an associated person of Phillips Advisors may invest, orders are processed in accordance with the parameters set forth in the SEC No-Action Letter, *SMC Capital, Inc.* It should be noted, Phillips Advisors does not receive any additional compensation or remuneration as a result of aggregation.

For accounts held through our **Concentrated Management Account Services**, our trading policy is to implement all client orders on an individual basis. Therefore, we do not aggregate or "block" client transactions in Concentrated Management accounts. Considering the types of investments we hold in those client accounts, we do not believe clients are hindered in any way because we trade accounts individually. This is because we develop individualized investment strategies for clients and holdings will vary. Further, the investments we are responsible for trading in client accounts are typically limited to broadly traded positions and minor differences in price execution are not material to our overall investment strategy.

Trade Error Policy

Phillips has implemented procedures designed to prevent trade errors; however, trade errors in client accounts cannot always be avoided. It is the policy of Phillips to correct trade errors in a manner that is in the best interest of the client. In cases where the client causes the trade error, the client will be responsible for any loss resulting from the correction but will not receive any gains generated as a result of the error correction. In all situations where the client does not cause the trade error, the client will be made whole and any loss resulting from the trade error will be absorbed by Phillips. However, Phillips will maintain gains that may result from correcting a trade error and in some instances may use such gains to offset overall losses Phillips incurs from trading errors.

Item 13 – Review of Accounts

Account Reviews and Reviewers

Account reviews are made on a regular basis during a calendar year. Account reviews will include investment strategies and investment objectives. Adjustments to strategies are made if client objectives have changed.

Your investment advisor representative is primarily responsible for conducting reviews of your accounts.

If your accounts are managed through the Lockwood program, Lockwood is responsible for reviewing your account and your investment advisor representative also performance reviews.

Statements and Reports

For our asset management services, you are provided with transaction confirmation notices and regular quarterly account statements directly from the qualified custodian. Additionally, Phillips Advisors may provide position or performance reports to you quarterly and upon request.

You are encouraged to always compare any reports or statements provided by us, a sub-adviser or third-party money manager against the account statements delivered from the qualified custodian. When you have questions about your account statement, you should contact our firm and the qualified custodian preparing the statement.

Item 14 – Client Referrals and Other Compensation

Phillips Advisors does not directly or indirectly compensate any person for client referrals.

The only compensation received from advisory services is the fees charged for providing investment advisory services as described in *Item 5* of this Disclosure Brochure. Phillips Advisors receives no other forms of compensation in connection with providing investment advice. Please see Item 5, Fees and Compensation, Item 10, Other Financial Industry Activities and Affiliations and Item 12, Brokerage Practices, for additional discussion concerning other compensation.

We may from time to time receive expense reimbursement for travel and/or marketing expenses from distributors of investment and/or insurance products. Travel expense reimbursements are typically a result of attendance at due diligence and/or investment training events hosted by product sponsors. Marketing expense reimbursements are typically the result of informal expense sharing arrangements in which product sponsors may underwrite costs incurred for marketing such as client appreciation events, advertising, publishing, and seminar expenses. Although receipt of these travel and marketing expense reimbursements are not predicated upon specific sales quotas, the product sponsor reimbursements are typically made by those sponsors for which sales have been made or for which it is anticipated sales will be made. This creates a conflict of interest in that there is an incentive to recommend certain products and investments based on the receipt of this compensation instead of what is in the best interest of our clients. We attempt to control for this conflict by always basing investment decisions on the individual needs of our clients.

Item 15 – Custody

Custody, as it applies to investment advisors, has been defined by regulators as having access or control over client funds and/or securities. In other words, custody is not limited to physically holding client funds and securities. If an investment adviser has the ability to access or control client funds or securities, the investment adviser is deemed to have custody and must ensure proper procedures are implemented. According to this definition, Phillips Advisors does **not** have custody of client funds or securities.

Item 16 – Investment Discretion

When providing asset management services, Phillips Advisors maintains trading authorization over your Account and can provide management services on a **discretionary** basis. When discretionary authority is granted, we will have the authority to determine the type of securities and the amount of securities that can be bought or sold for your portfolio without obtaining your consent for each transaction. However, it is the policy of Phillips Advisors to consult with you prior to making significant changes in the account even when discretionary trading authority is granted.

If you decide to grant trading authorization on a **non-discretionary** basis, we will be required to contact you prior to implementing changes in your account. Therefore, you will be contacted and required to accept or reject our investment recommendations including:

- The security being recommended
- The number of shares or units
- Whether to buy or sell

Once the above factors are agreed upon, we will be responsible for making decisions regarding the timing of buying or selling an investment and the price at which the investment is bought or sold. If your accounts are managed on a non-discretionary basis, you need to know that if we are not able to reach you or you are slow to respond to our request, it can have an adverse impact on the timing of trade implementations and we may not achieve the optimal trading price.

You will have the ability to place reasonable restrictions on the types of investments that may be purchased in your Account. You may also place reasonable limitations on the discretionary power granted to Phillips Advisors so long as the limitations are specifically set forth or included as an attachment to the client agreement.

Item 17 – Voting Client Securities

Phillips Advisors does not vote proxies on behalf of Clients. We have determined that taking on the responsibilities for voting client securities does not add enough value to the services provided to you to justify the additional compliance and regulatory costs associated with voting client securities. Therefore, it is your responsibility to vote all proxies for securities held in Account.

You will receive proxies directly from the qualified custodian or transfer agent; we will not provide you with the proxies. You are encouraged to read through the information provided with the proxy-voting documents and make a determination based on the information provided. Although we do not vote client proxies, if you have a question about a particular proxy feel free to contact us. However, you will have the ultimate responsibility for making all proxy-voting decisions.

Legal Actions

Clients retain the right under the applicable securities laws to initiate individually a lawsuit or join a class-action lawsuit against the issuer of a security that was held, purchased or sold by or for a client in Program. We will not initiate such a legal proceeding on behalf of any of its client and does not provide legal advice to clients regarding potential causes of action against such a security issuer and whether its clients should join a class-action lawsuit. We recommend clients seek legal counsel prior to making a decision regarding whether to participate in such a class-action lawsuit. Our services do not include monitoring or informing its clients of any potential or actual class-action lawsuits against the issuers of the securities that were held, purchased or sold by or for any of its clients. However, upon a client's specific instruction, we may provide factual information related to the individual client's investment history in the security underlying the individual or class-action lawsuit and provide assistance with the completion of a portion of certain class-action paperwork. At no time should such assistance by our firm or our investment adviser representatives be deemed as a substitute for consulting with legal counsel.

Item 18 – Financial Information

This *Item 18* is not applicable to this brochure. Phillips Advisors does not require or solicit prepayment of more than \$1200 in fees per client, six months or more in advance. Therefore, we are not required to include a balance sheet for the most recent fiscal year. We are not subject to a financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients. Finally, Phillips Advisors has not been the subject of a bankruptcy petition at any time.

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