

# The Firm Brochure

Part 2A of Form ADV | March 19, 2014



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This brochure provides information about the qualifications and business practices of Bragg Financial Advisors, Inc. If you have any questions about the contents of this brochure, please contact us at (704) 377-0261 or [dawn@braggfinancial.com](mailto:dawn@braggfinancial.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 Bragg Financial Advisors, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 108780.

Item 2: Material Changes

There have been no material changes to this document from the previous filing date of 03/01/2013.

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

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## Item 4: Advisory Business

### Bragg Financial Advisors, Inc.

**Bragg Financial Advisors, Inc. (BFA) is an investment advisor registered with the Securities and Exchange Commission (SEC).**

Our principal place of business is located in Charlotte, North Carolina. Bragg Financial Advisors, Inc. began conducting business as a registered investment advisor in the state of North Carolina in 1997. We registered with the Securities and Exchange Commission in 2000.

Bragg Financial Advisors provides advisory services to individuals, investment companies including mutual funds, pension and profit sharing plans and charitable organizations.

As of 12/31/2013, we were actively managing \$960,648,806 for clients on a discretionary basis.

### Our People and Our History

Bragg Financial Advisors is a family owned business. Our firm traces its roots back to 1964 when our founder, J. Frank Bragg, Jr. first entered the financial services industry in Charlotte.

#### **J. Frank Bragg, Jr., Founder of Bragg Financial Advisors, Inc., Chairman Emeritus**

Frank grew up in Oxford, North Carolina and graduated from Wake Forest University in 1961 with a BA in English. Frank began his career in financial services with Security Life and Trust Company in Winston-Salem. In 1964, he moved his family to Charlotte and formed his own firm specializing in employee benefit plans. Over time the firm evolved into a more comprehensive benefits and investment organization offering financial planning and portfolio management for individuals. The second generation of firm leadership, including Frank's three sons and son-in-law joined the firm in the 1990s as the company evolved into a comprehensive wealth management firm.

#### **Benton S. Bragg, President and Principal Shareholder - Shareholder**

Benton graduated from Wake Forest University in 1990 with a BA in History and a minor in English. He received his MBA from Wake Forest University in 1997. Benton holds the Chartered Financial Analyst and Certified Financial Planner designations. Benton chairs the Investment Committee at Bragg and works closely with individual and institutional clients of the firm. You can read more about Benton by reading the brochure supplement to this document.

#### **Phillips M. Bragg, Vice President and Principal Shareholder – Shareholder**

Phillips graduated from Wake Forest University in 1990 with a BA in English. Phillips holds the Certified Financial Planner and Accredited Estate Planner designations. Phillips provides expertise in retirement cash flow planning, estate and gift planning. He also advises clients regarding donor advised funds, charitable trusts, private foundations and conservation easement planning. You can read more about Phillips by reading the brochure supplement to this document.

## **John F. Bragg III, Vice President and Principal Shareholder – Shareholder**

John graduated from Wake Forest University in 1988 with a BA in Communications. John holds the Certified Financial Planner designation. John works with individual and institutional clients of the firm. You can read more about John by reading the brochure supplement to this document.

## **Steve H. Scruggs, Senior Portfolio Manager, Director of Research - Shareholder**

Steve graduated from North Carolina State University in 1992 with a BA in Business Management. He received his MBA from Wake Forest University in 1996. Steve holds the Chartered Financial Analyst designation. Steve is our Director of Research, a member of the Investment Committee and the portfolio manager for the Queens Road Small Cap Value Fund and the Queens Road Value Fund. You can read more about Steve by reading the brochure supplement to this document.

## **We offer the following advisory services to our clients:**

### **INDIVIDUAL PORTFOLIO MANAGEMENT - MANAGED ACCOUNT PROGRAM**

**Portfolio Management Guided by Written Investment Policy Statement:** Our firm provides portfolio management of client investment accounts based on the individual needs of the client. Through personal discussions in which goals and objectives based on a client's particular circumstances are established, we develop a client's written Investment Policy Statement. The principal objective in developing a written investment plan is to enable you and us to protect your portfolio from ad hoc revisions to a sound long-term plan. The written plan will help you maintain discipline when short-term market movements may be distressing and the plan may be questioned. The development of an investment plan follows the basic approach underlying financial planning: assessing your financial condition, setting goals, developing a strategy to meet these goals, implementing the strategy, regularly reviewing the results and adjusting the strategy or the implementation as circumstances dictate. Utilizing an investment policy statement encourages you to become more disciplined and systematic in your approach, thus increasing the probability of reaching your investment goals.

**Portfolio Construction and Management Process:** The portfolio construction and management process to be used by Bragg Financial Advisors emphasizes diversification and strategic allocation among different asset classes. Empirical evidence and academic research suggest that with regard to portfolio performance, the impact of strategic allocation among various asset classes will far outweigh the impact of security selection, market timing or other decisions that affect performance. The process used by Bragg emphasizes the risk-adjusted performance of the entire portfolio; it does not emphasize the performance of the individual securities within the portfolio. Our process will not employ methods such as frequent trading, market sector rotating or market timing.

**Portfolio Securities:** Bragg constructs portfolios using securities including but not limited to stocks, bonds, mutual funds, real estate investment trusts, exchange traded funds, CDs, unit investment trusts, money market instruments and other cash equivalents. Asset class exposure will include but not be limited to, Large Cap Equity, Mid Cap Equity, Small Cap Equity, Foreign Equity, Real Estate, Cash Equivalents and Fixed Income Securities. Bragg periodically rebalances portfolios to maintain the desired blend of exposure to specific asset classes and security types. The investment vehicles we use to construct portfolios are not limited to any specific product or service offered by a specific broker-dealer or other financial institution.

**Portfolio Models:** Client accounts are normally assigned to a Portfolio Model as follows:

***Portfolio One: Aggressive Allocation with Emphasis on Capital Appreciation.*** Equity Portion of the portfolio to normally range between 80% and 100%. Fixed Income Portion to normally range between 0% and 20%.

***Portfolio Two: Aggressive Allocation with Emphasis on Capital Appreciation.*** Equity Portion of the portfolio to normally range between 70% and 90%. Fixed Income Portion to normally range between 10% and 30%.

***Portfolio Three: Moderately Aggressive Allocation with Primary Emphasis on Capital Appreciation and Secondary Emphasis on Income.*** Equity Portion of the portfolio to normally range between 60% and 80%. Fixed Income Portion to normally range between 20% and 40%.

***Portfolio Four: Moderate Allocation with Emphasis on Capital Appreciation and Income.*** Equity Portion of the portfolio to normally range between 50% and 70%. Fixed Income Portion to normally range between 30% and 50%.

***Portfolio Five: Moderately Conservative Allocation with Emphasis on Capital Appreciation, Capital Preservation and Income.*** Equity Portion of the portfolio to normally range between 40% and 60%. Fixed Income Portion to normally range between 40% and 60%.

***Portfolio Six: Moderately Conservative Allocation with Emphasis on Capital Preservation, Income and Moderate Capital Appreciation.*** Equity Portion of the portfolio to normally range between 30% and 50%. Fixed Income Portion to normally range between 50% and 70%.

***Portfolio Seven: Conservative Allocation with Emphasis on Capital Preservation and Income. Capital Appreciation is Secondary.*** Equity Portion of the portfolio to normally range between 20% and 40%. Fixed Income Portion to normally range between 60% and 80%.

**Discretionary Management:** In almost all cases, our firm manages portfolios on a discretionary basis per the written Investment Policy Statement. This means BFA will not contact the client prior to conducting buy or sell transactions in client accounts. Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors and these are outlined in the Investment Policy Statement. In some cases portfolios are managed on a non-discretionary basis.

**Advisory Fees:** Bragg charges Advisory Fees for the Managed Account Program described above. In addition to the Advisory Fees charged by Bragg, there are other costs associated with our Managed Account Program. Please review the Fees and Compensation section of this document for specific details regarding fees and charges.

## PORTFOLIO MANAGEMENT - SMALL CAP VALUE MANAGED ACCOUNT PROGRAM

Bragg Financial Advisors offers portfolio management to individual and institutional clients who desire a specific portfolio constructed primarily of the common stocks of small companies. The Small Cap Value Managed Account Program focuses on companies that generally have a market capitalization less than \$2 billion.

**Discretionary Management and Investment Policy Statement:** Bragg manages these accounts on discretion per a written Investment Policy Statement that is developed with input from the client. Bragg charges advisory fees for this service.

**Advisory Fees:** Bragg charges Advisory Fees for the Small Cap Value Managed Account Program described above. In addition to the Advisory Fees charged by Bragg, there may be other costs associated with our Small Cap Value Managed Account Program. Please review the Fees and Compensation section of this document for specific details regarding fees and charges

## FINANCIAL PLANNING

Bragg Financial Advisors provides financial planning services as requested by the client. While BFA may review financial planning issues with clients, it is the client's responsibility to follow through with the recommendations. Bragg does not provide legal or tax advice. Any legal or tax issues discussed with clients should also be discussed with legal or tax counsel.

**In general we may provide Financial Planning in the following areas:**

1. **Retirement Planning:** We may project annual required savings necessary to accumulate adequate assets to fund a desired stream of income in retirement. We may suggest appropriate investment vehicles for clients to consider using for retirement accumulation. In all cases we will make assumptions regarding future investment returns, savings rates, inflation and longevity.
2. **Education Planning:** We may project annual required savings necessary to accumulate adequate assets to fund education expenses. We may suggest appropriate investment vehicles for clients to consider using for the accumulation of education funds.
3. **Investments:** We may analyze investment alternatives such as exchange listed securities, warrants, corporate debt securities, certificates of deposit, municipal securities, variable life insurance, variable annuities, mutual fund shares, United States government securities and option contracts on securities and their effect on the client's portfolio.
4. **Insurance:** We may review existing policies to ensure proper coverage for life, health, disability, long-term care, liability, home and automobile. We may make specific recommendations regarding the amount and structure of any coverage currently in place or recommended by our firm.

5. **Estate Planning:** Working with other professionals such as accountants and attorneys, we may assist the client in assessing and understanding the financial aspects of long-term estate planning strategies.
6. **Other Planning Issues:** We may also provide planning in other areas included but not limited to debt structuring, lease/buy decisions, conservations easement planning and charitable planning.

We gather required information through in-depth personal interviews. Information gathered includes the client's current financial status, tax status, future goals, return objectives and attitude toward risk. We carefully review documents supplied by the client. Should the client choose to implement the recommendations contained in the plan, we suggest the client work closely with his or her attorney, accountant, and insurance agent. Implementation of financial planning recommendations is entirely at the client's discretion. Any legal or tax issues discussed with BFA should be discussed with the client's lawyer and/or CPA.

Financial Planning recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company. All recommendations are of a generic nature.

We may charge fees for the services listed above. Please refer to the section of this document titled "Fees and Compensation" to learn about these charges.

## MUTUAL FUND PORTFOLIO MANAGEMENT

Our firm provides portfolio management services to investment companies including mutual funds.

BFA provides these services to the Queens Road Small Cap Value Fund and the Queens Road Value Fund, mutual funds registered under the Investment Company Act of 1940.

BFA serves as the investment manager to the Mutual Funds, and continuously manages the funds' assets based on the investment goals and objectives as outlined in the Mutual Funds' prospectus.

Interested investors should refer to the Mutual Funds' prospectus and Statement of Additional Information ("SAI") for important information regarding objectives, investments, time-horizon, risks, fees, and additional disclosures. These documents are available online at [www.queensroadfunds.com](http://www.queensroadfunds.com).

Prior to making any investment in the funds, investors and prospective investors should carefully review these documents for a comprehensive understanding of the terms and conditions applicable for investment in the Mutual Funds.

## PENSION CONSULTING SERVICES

Bragg Financial Advisors offers specific services to trustees or plan sponsors of pension plans, profit sharing plans, 401(k)/403(b) plans and other types of employer sponsored retirement plans. We refer to these services as Pension Consulting Services. Pension Consulting Services are comprised of four distinct services. Clients may choose to use any or all of these services.



**Investment Policy Statement Preparation (hereinafter referred to as “IPS”):** We will meet with the client to determine an appropriate investment strategy that reflects the plan sponsor’s stated investment objectives for the assets of the retirement plan. Working with the client, we prepare a written IPS outlining the investment objectives and the ultimate portfolio or investment options to be utilized by the client. The IPS also lists the criteria for selection of investment vehicles as well as the procedures and timing interval for monitoring investment performance.

**Selection of Investment Vehicles:** Using the client’s written Investment Policy Statement as a guide, we conduct research and due diligence on various investment options as choices in a specific retirement plan. We then make specific recommendations to plan sponsors regarding which investment options to include in the plan. In many cases we help plan sponsors construct a menu of mutual funds that is made available to participants in self-directed retirement plans.

**Monitoring of Investment Performance:** We monitor client investments based on the procedures and timing intervals delineated in the Investment Policy Statement. Although our firm is not involved in any way in the purchase or sale of these investments, we provide due diligence on the current offerings in the plan and make recommendations as to whether those options should be changed.

**Employee Communications:** For pension, profit sharing and 401(k) plan clients with individual plan participants exercising control over assets in their own account (“self-directed plans”), we may provide quarterly educational support and investment workshops designed for the plan participants. The nature of the topics to be covered will be determined by us and the client under the guidelines established in ERISA Section 404(c). The educational support and investment workshops will NOT provide plan participants with individualized, tailored investment advice or individualized, tailored asset allocation recommendations.

## Amount of Managed Assets

As of 12/31/2013, we were actively managing \$960,648,806 of clients’ assets on a discretionary basis.

## Best Execution

Bragg Financial Advisors performs best execution testing for securities transactions on a monthly basis. The testing is designed to ensure that Bragg Financial Advisors has a reasonable basis to believe that clients are receiving the best execution on their securities transactions. If you have any questions regarding best execution testing please call (704) 377-0261 and ask for the Chief Compliance Officer.

## Item 5: Fees and Compensation

### Portfolio Management Advisory Fees

The annualized fee for Portfolio Management Services will be charged as a percentage of assets under management, according to the following schedule:



## Managed Account Program

Assets Under Management	Annual Fee
First \$1 Million	.95%
Next \$2 Million	.70%
Next \$3 Million	.50%
Over \$6 Million	.40%

## Small Cap Value Managed Account Program

Assets Under Management	Annual Fee
First \$5 Million	.95%
Next \$5 Million	.85%
Over \$10 Million	.75%

The Managed Account Program is a fee-based program in which clients retain Bragg Financial Advisors to manage a specific account or group of accounts owned by the client. This program is described in detail in the "Advisory Business" section of this document.

The Small Cap Value Managed Account Program is a discretionary small cap value equity asset management program. This program is described in detail in the "Advisory Business" section of this document.

Our fees are billed quarterly, in advance, at the beginning of each calendar quarter based upon the market value of the client's account at the end of the previous quarter. Fees will be debited from the account in accordance with the client authorization agreement.

## Illustration of Advisory Fee Calculation:

$$\text{Total Quarterly Fee} = \text{Total Asset Value in Account} \times \frac{\text{Annual Fee Percentage}}{4}$$

The advisory fee for the initial billing period will be prorated for accounts that are placed under management after the beginning of the quarter. If assets totaling \$5,000 or more are deposited or withdrawn after the inception of the quarter, the capital flow will be prorated based on the number of days during the quarter the assets were held in the account and an adjustment for this "weighted event" will be made to the customer's account during the next calendar quarter. Customer may terminate and receive a total refund of fees within five (5) business days of signing the account agreement. If the account agreement is terminated by written notice from the Customer after five (5) business days of its execution, Customer will be entitled to a pro rata refund of any prepaid quarterly fee based upon the number of days remaining in the quarter after the date upon which notice of termination was received.

A minimum of \$2,000,000 of assets under management is required for the Managed Account Program and a minimum of \$1,000,000 of assets is required for the Small Cap Value Managed Account Program. The minimum account size may be negotiable under certain circumstances. BFA may group related client accounts for the purpose of determining the annualized fee.

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

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

**Grandfathering of Fees:** The fee scheduled listed above will generally be applicable for all new clients contracting for advisory services with BFA. This schedule may differ from the fee schedule in place for some existing clients and there is no requirement that existing clients contract for services at the rates listed above.

**Waivers of Advisory Fees for Certain Assets Invested in the Managed Account Program:** Any portion of a client account that is invested in shares of the Queens Road Funds will be excluded from our Quarterly Advisory Fee calculation described above. As disclosed in the "Advisory Business" section of this document, Bragg Financial Advisors serves as investment advisor to the Queens Road Funds and is compensated by the Queens Road Funds for these services. Therefore participants in our Managed Account Program who own shares of the Queens Road Funds will pay only those fees charged to investors by the Mutual Funds directly for that portion of the account.

## Financial Planning Fees

Financial Planning fees will be determined based on the nature of the services being provided and the complexity of each client's circumstances. In some cases Bragg provides Financial Planning to clients at no additional cost beyond the advisory fees being paid under contract in the Managed Account Program. In other cases Bragg may charge an hourly rate or a project-based rate depending on the scope of the work to be done. In all cases, prior to engaging our firm for Financial Planning Services, the client is notified if a fee will be charged. If a fee is to be charged, the client is notified prior to engagement as to how the fee will be determined.

## Advisory Fees Charged to Investment Companies Including Mutual Funds

Bragg Financial Advisors charges an asset-based advisory fee for management of mutual fund portfolios. The fee arrangement is described in the Mutual Fund's prospectus and Statement of Additional Information ("SAI").

## Pension Consulting Fees

Our fees for Pension Consulting Services are based on a percentage of assets under advisement. The annual fee varies depending upon the size of the plan under management.

Plan sponsors are invoiced in advance at the beginning of each calendar quarter.

A total minimum fee of \$5,000 is required.

## Other Investment Costs and Important Disclosures

**Fees Charged by Mutual Funds and Other Investment Vehicles:** All fees paid to Bragg Financial Advisors for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds, exchange traded funds or other investment vehicles. These fees and expenses are described by the prospectus that is specific to the investment vehicle being purchased. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. Accordingly, the client should review both the fees charged by the funds and our advisory fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

**Additional Fees and Expenses:** In addition to our advisory fees, clients are responsible for the fees and expenses charged by their broker dealer, including, but not limited to, any transaction charges imposed by said broker dealer with which an independent investment manager effects transactions for the client's account(s). An example of this would be a transaction fee charged when a trade is made in a client account.

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

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

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

**Limited Prepayment of Fees:** Under no circumstances do we require or solicit payment of fees in excess of \$1,200 more than six months in advance of services rendered.

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

BFA does not charge performance-based fees.

## Item 7: Types of Clients

BFA provides advisory services to the following types of clients:

- Individuals (other than high net worth individuals)
- High net worth individuals
- Investment companies(including mutual funds)
- Pension and profit sharing plans(other than plan participants)
- Charitable organizations

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

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

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

Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

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

### Investment Strategies

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

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

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

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

**Margin transactions:** We may purchase stocks for your portfolio with money borrowed from your brokerage account. This allows you to purchase more stock than you would be able to with your available cash, and allows us to purchase stock without selling other holdings. All clients who would like to trade on margin must sign a margin agreement and a margin disclosure document before any security can be purchased on margin.

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

## Item 9: Disciplinary Information

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

Our firm and our management personnel have no reportable disciplinary events to disclose.

## Item 10: Other Financial Industry Activities and Affiliations

The owners of Bragg Financial Advisors, Inc. own 100% of Queens Road Securities, LLC, a FINRA member broker dealer subject to the regulatory jurisdiction of FINRA in regards to the execution of securities transaction. To comply with the FINRA requirement, all transaction effected by Bragg Financial Advisors through Queens Road Securities will be executed pursuant to a fully disclosed clearing agreement with Pershing, LLC, a subsidiary of the Bank of New York Mellon Corporation.

Management personnel of BFA are separately licensed as registered representatives of Queens Road Securities, LLC, a broker dealer.

## Mutual Fund

BFA previously disclosed in "Advisory Business" (Item 4) and "Fees and Compensation" (Item 5) of this brochure that our firm is the investment adviser to the Bragg Capital Trust, an investment company registered under the Investment Company Act of 1940. We are related to the Mutual Funds through common control. Please refer to these items for a detailed explanation of this relationship and important conflict of interest disclosures.

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

## Other Pooled Investment Vehicle(s)

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

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

Related persons of our firm may spend as much as 5% of their time on these related activities.

A list of these affiliated entities is specifically disclosed on Schedule D of Form ADV, Part 1 at Item 7.B. Part 1 of our Form ADV can be accessed by following the directions provided on the Cover Page of this Firm Brochure.

Clients interested in investing in the partnership/company should refer to the partnership's/ company's private placement memorandum for more information specific to the partnership/ company. Currently, BFA does not sponsor any pooled investment vehicles.

Management personnel of our firm, in their individual capacities, are agents for various insurance companies. As such, these individuals are able to receive separate, yet customary commission compensation resulting from implementing product transactions on behalf of advisory clients. Clients, however, are not under any obligation to engage these individuals when considering implementation of advisory recommendations. The implementation of any or all recommendations is solely at the discretion of the client.

Clients should be aware that the receipt of additional compensation by BFA and its management persons or employees creates a conflict of interest that may impair the objectivity of our firm and these individuals when making advisory recommendations. BFA endeavors at all times to put the interest of its clients first as part of our fiduciary duty as a registered investment adviser; we take the following steps to address this conflict:

- We disclose to clients the existence of all material conflicts of interest, including the potential for our firm and our employees to earn compensation from advisory clients in addition to our firm's advisory fees;
- We disclose to clients that they are not obligated to purchase recommended investment products from our employees or affiliated companies;
- We collect, maintain and document accurate, complete and relevant client background information, including the client's financial goals, objectives and risk tolerance;

- Our firm's management conducts regular reviews of each client account to verify that all recommendations made to a client are suitable to the client's needs and circumstances;
- We require that our employees seek prior approval of any outside employment activity so that we may ensure that any conflicts of interests in such activities are properly addressed;
- We periodically monitor these outside employment activities to verify that any conflicts of interest continue to be properly addressed by our firm; and
- We educate our employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients.

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

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

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

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

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

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email sent to [dawn@braggfinancial.com](mailto:dawn@braggfinancial.com), or by calling us at (704) 377-0261.

BFA or individuals associated with our firm may buy securities for the firm or for themselves from our advisory clients; or sell securities owned by the firm or the individual(s) to our advisory clients. We will ensure, however, that such transactions are conducted in compliance with all the provisions under Section 206(3) of the Advisors Act governing principal transactions to advisory clients.

BFA and individuals associated with our firm are prohibited from engaging in agency cross transactions.

As previously disclosed in this brochure, BFA is the investment adviser to an affiliated mutual fund. Please refer to Advisory Business (Item 4) and Fees and Compensation (Item 5) for a detailed explanation of this relationship and important conflict of interest disclosure.



In addition, access persons of our firm are required to report all personal securities transactions conducted in our affiliated mutual fund(s).

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

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

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

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

1. No principal or employee of our firm may put his or her own interest above the interest of an advisory client.
2. No principal or employee of our firm may buy or sell securities for their personal portfolio(s) where their decision is a result of information received as a result of his or her employment unless the information is also available to the investing public.
3. It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account. This prevents such employees from benefiting from transactions placed on behalf of advisory accounts.
4. Our firm requires prior approval for any IPO or private placement investments by related persons of the firm.
5. We maintain a list of all reportable securities holdings for our firm and anyone associated with this advisory practice that has access to advisory recommendations ("access person"). These holdings are reviewed on a regular basis by our firm's Chief Compliance Officer or his/her designee.
6. We have established procedures for the maintenance of all required books and records.
7. All of our principals and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
8. We require delivery and acknowledgement of the Code of Ethics by each supervised person of our firm.
9. We have established policies requiring the reporting of Code of Ethics violations to our senior management.
10. Any individual who violates any of the above restrictions is subject to termination.

As disclosed in the preceding section of this Brochure (Item 10), related persons of our firm are separately registered as securities representatives of Queens Road Securities, LLC and licensed as insurance agents of various insurance companies. Please refer to Item 10 for a detailed explanation of these relationships and important conflict of interest disclosures.

## Item 12: Brokerage Practices

BFA does not have any soft-dollar arrangements and does not receive any soft-dollar benefits.

BFA requires that it be provided with written authority to determine the broker-dealer to use for client transactions and the commission costs that will be charged to our clients for these transactions.

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

As a matter of policy and practice, BFA does not generally block client trades and, therefore, we implement client transactions separately for each account. Consequently, certain client trades may be executed before others, at a different price and/or commission rate. Additionally, our clients may not receive volume discounts available to advisers who block client trades.

## Item 13: Review of Accounts

### Individual Portfolio Management-Managed Account Program

**Reviews:** While the underlying securities within Individual Portfolio Management Services accounts are continually monitored, these accounts are reviewed periodically to adhere to the allocations as described in the investment policy statement. Accounts are reviewed in the context of each client's stated investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment.

These accounts are reviewed by: Benton S. Bragg

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

### Financial Planning Services

**Reviews:** While reviews may occur at different stages depending on the nature and terms of the specific engagement, typically no formal reviews will be conducted for Financial Planning clients unless otherwise contracted for.

**Reports:** Additional reports will not typically be provided unless otherwise contracted for.

## Mutual Fund Portfolio Management

**Reviews:** BFA continually reviews and monitors the Mutual Funds' holdings in accordance with the investment objectives as detailed in the Funds' Prospectus.

**Reports:** Clients should refer to the Funds' Prospectus for information regarding regular reports to the fund by BFA.

## Pension Consulting Services

**Reviews:** BFA will review the client's Investment Policy Statement (IPS) whenever the client advises us of a change in circumstances regarding the needs of the plan. BFA will also review the investment options of the plan according to the agreed upon time intervals established in the IPS. Such reviews will generally occur quarterly.

These accounts are reviewed by: John F. Bragg, III

**Reports:** These client accounts will receive reports as contracted for at the inception of the advisory relationship.

OR

**Reports:** BFA will provide reports to Pension Consulting Services clients based on the terms set forth in the client's Investment Policy Statement (IPS).

## Item 14: Client Referrals and Other Compensation

It is BFA's policy not to engage solicitors or to pay related or non-related persons for referring potential clients to our firm.

It is BFA's policy not to accept or allow our related persons to accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services we provide to our clients.

## Item 15: Custody

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

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

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

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

Our firm does not have actual or constructive custody of client accounts.

## Item 16: Investment Discretion

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

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

1. Determine the security to buy or sell; and/or
2. Determine the amount of the security to buy or sell

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

## Item 17: Voting Client Securities

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

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

We only vote proxies for the following types of accounts:

**Discretionary ERISA Accounts & Queens Road Mutual Funds**

We will vote proxies in accordance with our established policies and procedures. Our firm will retain all proxy voting books and records for the requisite period of time, including a copy of each proxy statement received, a record of each vote cast, a copy of any document created by us that was material to making a decision on how to vote proxies, and a copy of each written client request for information on how the adviser voted proxies. If our firm has a conflict of interest in voting a particular action, we will notify the client of the conflict and retain an independent third-party to cast a vote.

Clients may obtain a copy of our complete proxy voting policies and procedures by contacting Dawn Cannon at (704) 377-0261.

We will neither advise nor act on behalf of the client in legal proceedings involving companies whose securities are held in the client's account(s), including, but not limited to, the filing of "Proofs of Claim" in class action settlements. If desired, clients may direct us to transmit copies of class action notices to the client or a third party. Upon such direction, we will make commercially reasonable efforts to forward such notices in a timely manner.

## Item 18: Financial Information

BFA has no additional financial circumstances to report.

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

BFA has not been the subject of a bankruptcy petition at any time during the past ten years.