

Richard Brothers, Financial Advisors

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Wrap Fee Program Brochure

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This wrap fee program brochure provides information about the qualifications and business practices of Richard Brothers, Financial Advisors. If you have any questions about the contents of this brochure, please contact us at (207) 879-2352 or rrichard@richardbrothersfinancial.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 Richard Brothers, Financial Advisors also is available on the SEC's website at www.adviserinfo.sec.gov.

References herein to Richard Brothers, Financial Advisors as a "licensed investment adviser" or any reference to being "licensed" does not imply a certain level of skill or training.

Item 2 Material Changes

There have been no material changes made to this Firm Brochure since the last Annual Amendment filing on March 23, 2016.

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Item 4 Services, Fees and Compensation

A. **RICHARD BROTHERS WRAP PROGRAM**

The Licensee is the sponsor and investment manager of the Richard Brothers Wrap Program (hereinafter the “Program”). Under the Program, the Licensee is able to offer participants discretionary investment management services, for a single specified annual Program fee, inclusive of trade execution, custody, reporting, and investment management fees. The Licensee provides investment management services on a wrap fee basis in accordance with the Licensee’s investment management wrap fee program (the “Program”). The services offered under, and the corresponding terms and conditions pertaining to, the Program are discussed in the Wrap Fee Program Brochure a copy of which is presented to all prospective Program participants. Under the Program, the Licensee is able to offer participants discretionary investment management services, for a single specified annual Program fee, inclusive of trade execution, custody, reporting, and investment management fees. The current annual Program fee is negotiable, depending upon the amount and type of the Program assets.

Richard Brothers Securities shall serve as the introducing broker-dealer, and Pershing Financial, LLC (“*Pershing*”) shall serve as the custodian, for Program accounts. Through the Program, the Licensee participates in FundVest®. FundVest® is Pershing's no transaction-fee (“NTF”) mutual fund platform providing access to more than 4000 mutual funds from more than 200 fund families

Please Note: Participation in the Program may cost more or less than purchasing such services separately. As also indicated in the Wrap Fee Program Brochure, the Program fee charged by Licensee for participation in the Program may be higher or lower than those charged by other sponsors of comparable wrap fee programs.

Fee Calculation: The fee charged is calculated as described above and is not charged on the basis of a share of capital gains upon or capital appreciation of the funds or any portion of the funds of an advisory client.

Fee Payment: Clients will be charged in advance at the beginning of each calendar quarter based upon the value (market value or fair market value in the absence of market value, plus any credit balance or minus any debit balance), of the client's account at the end of the previous quarter. Fees are prorated for accounts opened during the quarter. An additional fee for the current quarter will be assessed if assets are deposited after the beginning of the quarter, prorated based on the number of calendar days remaining in the quarter during which the service will be in effect. No portion of the fee will be credited to the client for the current calendar quarter should any withdrawals from the portfolio occur in the same calendar quarter.

Termination of Advisory Relationship: A client agreement may be canceled at any time, by either party, for any reason upon receipt of prior written notice. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable. The client has the right to terminate an agreement without penalty within five (5) business days after entering into the agreement.

MISCELLANEOUS

Client Responsibilities: In performing any of its services, the Licensee shall not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely thereon. Furthermore, unless the client indicates to the contrary in the client's Investment Objective Confirmation letter, the Licensee shall assume that there are no restrictions on its services, other than to manage the account in accordance with the client's designated investment objective. **Moreover, it remains each client's responsibility to promptly notify the Licensee if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising the Licensee's previous recommendations and/or services.**

Please Note: Investment Performance: As a condition to participating in the Program, the participant must accept that past performance may not be indicative of future results, and understand that the future performance of any specific investment or investment strategy (including the investments and/or investment strategies purchased and/or undertaken by the Licensee) may not: (1) achieve their intended objective; (2) be profitable; or, (3) equal historical performance level(s) or any other performance level(s).

- B. Participation in the Program may cost more or less than purchasing such services separately. Also the Program fee charged by Licensee for participation in the Program may be higher or lower than those charged by other sponsors of comparable wrap fee programs.

Depending upon the percentage wrap-fee charged by the Licensee, the amount of portfolio activity in the client's account, and the value of custodial and other services provided, the wrap fee may or may not exceed the aggregate cost of such services if they were to be provided separately or if the Licensee were to negotiate transaction fees and seek best price and execution of transactions for the client's account.

- C. The Program's wrap fee does not include certain charges and administrative fees, including, but not limited to, fees charged by *Independent Managers*, transaction charges (excluding mark-ups and mark-downs) resulting from trades effected through or with a broker-dealer other than *Pershing*, transfer taxes, odd lot differentials, exchange fees, interest charges, American Depository Receipt agency processing fees, and any charges, taxes or other fees mandated by any federal, state or other applicable law or otherwise agreed to with regard to client accounts. Such fees and expenses are in addition to the Program's wrap fee.
- D. Licensee's related persons who recommend the Program to clients do not receive compensation as a result of a client's participation in the wrap fee program.

Item 5 Account Requirements and Types of Clients

- A. Licensee generally requires a minimum annual fee of \$2,000 for investment advisory services. The Licensee generally provides its services on a wrap fee basis to individuals, joint accounts and trust accounts. The Licensee, in its sole discretion, may charge a lesser minimum fee and/or waive or reduce its minimum fee requirement based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar

amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

Item 6 Portfolio Manager Selection and Evaluation

- A. The Licensee does not currently, but may in the future; allocate a portion of a client's Program assets among unaffiliated independent investment managers in accordance with the client's designated investment objective(s).
- B. The Licensee acts as the portfolio manager for the Program. Inasmuch as the execution costs for transactions effected in the client account will be paid by the Licensee, a potential conflict of interest arises in that the Licensee may have a disincentive to trade securities in the client account. In addition, the amount of compensation received by the Licensee as a result of the client's participation in the Program may be more than what the Licensee would receive if the client paid separately for investment advice, brokerage and other services.

As the Program sponsor, the Licensee shall be responsible for the primary management of the Program, including the selection and termination of all *Independent Manager[s]*. Once selected, *Independent Manager[s]* shall be responsible for day-to-day management and selection of securities for the account.

- C. As discussed below, the Licensee also offers to its clients discretionary and non-discretionary investment advisory services, and, to the extent specifically requested by a client, financial planning and related consulting services.

RICHARD BROTHERS WRAP PROGRAM

The Licensee provides investment management services on a wrap fee basis in accordance with the Licensee's investment management wrap fee program (the "Program"). Under the Program, the Licensee is able to offer participants discretionary investment management services, for a single specified annual Program fee, inclusive of trade execution, custody, reporting, and investment management fees. The current annual Program fee is negotiable depending upon the amount and type of the Program assets. *Pershing* shall serve as the custodian for Program accounts.

The Licensee generally requires a minimum annual fee of \$2,000 for investment advisory services. The Licensee, in its sole discretion, may charge a lesser minimum fee and/or waive or reduce its minimum fee requirement based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

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

Trade Error Policy. Licensee shall reimburse accounts for losses resulting from the Licensee's trade errors, but shall not credit accounts for such errors resulting in market gains. The gains and losses are reconciled within the Licensee's custodian firm account and Licensee retains the net gains and losses.

Disclosure Statement. A copy of Licensee's written disclosure statement as set forth on Part 2A and/or Appendix 1 of Part 2A on Form ADV shall be provided to each client prior to or contemporaneously with the execution of the *Investment Advisory Agreement* or *Financial Planning Agreement*.

The Licensee shall provide investment advisory services specific to needs of each client. Prior to providing investment advisory services, an investment adviser representative will discuss with each client, their particular investment objective(s). The Licensee shall allocate each client's investment assets consistent with their designated investment objective(s). Clients may, at anytime, impose restrictions, in writing, on the Licensee's services.

The Licensee manages exclusively wrap fee accounts. **Please Note:** When managing a client's account on a wrap fee basis, the Licensee shall receive as payment for its investment advisory services, the balance of the wrap fee after all other costs incorporated into the wrap fee have been deducted.

Performance Based Fees and Side-By-Side Management

Neither the Licensee nor any supervised person of the Licensee accepts performance-based fees.

Methods of Analysis, Investment Strategies and Risk of Loss

The Licensee shall utilize the following methods of security analysis:

- **Fundamental** - (analysis performed on historical and present data, with the goal of making financial forecasts)
- **Technical** – (analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices)

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

- **Long Term Purchases** (securities held at least a year)
- **Short Term Purchases** (securities sold within a year)
- **Trading** (securities sold within thirty (30) days)

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

The Licensee's methods of analysis and investment strategies do not present any significant or unusual risks.

However, every method of analysis has its own inherent risks. To perform an accurate market analysis the Licensee must have access to current/new market information. The Licensee has no control over the dissemination rate of market information; therefore, unbeknownst to the Licensee, certain analyses may be compiled with outdated market information, severely limiting the value of the Licensee's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

The Licensee's primary investment strategies - Long Term Purchases, Short Term Purchases, and Trading - are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy. Trading, an investment strategy that requires the purchase and sale of securities within a thirty (30) day investment time period, involves a very short investment time period but will incur higher transaction costs when compared to a short term investment strategy and substantially higher transaction costs than a longer term investment strategy.

In addition to the fundamental investment strategies discussed above, the Licensee may also implement and/or recommend the use of margin transactions. This strategy has a high level of inherent risk. (*See* discussion below).

Currently, the Licensee primarily allocates client investment assets primarily among various individual equity (stocks), fixed income securities (bonds), mutual funds and/or exchange traded funds, on a discretionary and non-discretionary basis in accordance with the client's designated investment objective(s).

Voting Client Securities

The Licensee does not vote client proxies. 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 will receive their proxies or other solicitations directly from their custodian. Clients may contact the Licensee to discuss any questions they may have with a particular solicitation.

Item 7 Client Information Provided to Portfolio Managers

The Licensee shall be the Program's portfolio manager. The Licensee shall provide investment advisory services specific to needs of each client. Prior to providing

investment advisory services, an investment adviser representative will discuss with each client, their particular investment objective(s). The Licensee shall allocate each client's investment assets consistent with their designated investment objective(s). Clients may, at anytime, impose restrictions, in writing, on the Licensee's services.

As indicated above, each client is advised that it remains his/her/its responsibility to promptly notify the Licensee if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Licensee's previous recommendations and/or services.

To the extent the Program utilizes *Independent Manager[s]*, the Licensee shall provide the *Independent Manager[s]* with each client's particular investment objective(s). Any changes in the client's financial situation or investment objectives reported by the client to the Licensee shall be communicated to the *Independent Manager[s]* within a reasonable period of time.

Item 8 Client Contact with Portfolio Managers

The client shall have, without restriction, reasonable access to the Program's portfolio manager.

Item 9 Additional Information

- A. The Licensee has not been the subject of any disciplinary actions.

Other Financial Industry Activities and Affiliations

Richard Brothers Securities is an affiliated broker-dealer of the Licensee which may provide introducing broker-dealer services on behalf of the Licensee and the Program. Richard Brothers Securities is a member of the Financial Industry Regulatory Authority ("FINRA") and the Securities Investor Protection Corporation ("SIPC"). If a client authorizes the Licensee to use its affiliated introducing broker-dealer, Richard Brothers Securities, to introduce transactions to Pershing, the custodian, for execution on behalf of a client, it will result in compensation to Richard Brothers Securities. The additional compensation generated includes, but is not limited to, ticket charges, cash management sweep programs and FundVest® asset-based revenue sharing (i.e. 12b-1 fees). FundVest® is Pershing's no transaction-fee ("NTF") mutual fund platform providing access to more than 4000 mutual funds from more than 200 fund families.

The use of Richard Brothers Securities as the introducing broker-dealer presents conflicts of interest and gives the Licensee an incentive to recommend investments based on the compensation received, rather than on a client's needs. In order to address conflicts of interest related to receipt of additional compensation under Richard Brothers Securities, to the extent mutual funds are utilized in a client portfolio, the Licensee generally recommends no load mutual funds (or if there is a sales charge, also known as a load, Richard Brothers Securities ensures that this charge is waived). The Licensee manages this conflict by choosing mutual funds that are in the best interest of the client without taking into account if Richard Brothers Securities is being compensated with asset based charges such as 12b-1 fees for the purchase of mutual funds or in the case of selecting

exchange traded funds, ticket charges for the purchase or sale of exchange traded funds. The Licensee also has an incentive to over trade in order to generate ticket charges for Richard Brothers Securities but also manages this conflict by making decisions in the best interest of the client and makes investment decisions based on fundamental analysis as opposed to revenue generated for Richard Brothers Securities. Such payments to Richard Brothers Securities will not be offset against the Licensee investment management fees.

Licensed Insurance Agency/Agents. The Licensee also maintains an affiliated licensed insurance agency, AFX Global Advisors, Inc d/b/a Richard Brothers Insurance. Certain of Licensee's representatives are also licensed insurance agents, and in such individual capacities, may recommend the purchase of certain insurance-related products on a commission basis. As referenced in Item 4 B above, clients can engage certain of Licensee's representatives to effect insurance transactions on a commission basis.

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

B. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

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

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

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

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

Licensee's clients) and other potentially abusive practices.

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

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

Review of Accounts

For those clients to whom Licensee provides investment supervisory services, account reviews are conducted on an ongoing basis by the Licensee's Principals and representatives. All investment supervisory clients are advised that it remains their responsibility to advise the Licensee of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review financial planning issues (to the extent applicable), investment objectives and account performance with the Licensee on an annual basis.

The Licensee *may* conduct account reviews on an other than periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.

Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. The Licensee may also provide a written periodic report summarizing account activity and performance.

Client Referrals and Other Compensation

The Licensee may receive an indirect economic benefit from *Pershing*. The Licensee, without cost (and/or at a discount), may receive support services and/or products from *Pershing*.

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

Financial Information

The Licensee does not solicit fees of more than \$500, per client, six months or more in advance.

The Licensee is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.

The Licensee has not been the subject of a bankruptcy petition.

ANY QUESTIONS: The Licensee's Chief Compliance Officer, Randall J. Richard, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.

Item 10 Requirements for State Licensed Advisers

Randall Richard and Neal Richard are the Principals of the Licensee. For more information about the above individuals, please see the Brochure Supplement to the Licensee's Brochure.

Messrs. Randall Richard and Neal Richard are registered representatives of *Richard Brother Securities*. Additionally, certain individuals are licensed insurance agents.

Neither the Licensee, nor its representatives, has been the subject of any disciplinary actions.

Neither the Licensee, nor its representatives, has any relationship or arrangement with any issuer of securities.

ANY QUESTIONS: The Licensee's Chief Compliance Officer, Randall J. Richard, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.