

# **Richard Brothers, Financial Advisors**

SEC File Number: 801 – 66952

## **ADV Part 2A, Firm Brochure**

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**This 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](mailto: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](http://www.adviserinfo.sec.gov).**

**References herein to Richard Brothers, Financial Advisors as a “registered investment adviser” or any reference to being “registered” 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 30, 2015:

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#### **Item 4            Advisory Business**

- A. The Registrant is a corporation formed on September 30, 1996 in the State of Maine. The Registrant became registered as an Investment Adviser Firm in June 2006. The Registrant's full legal name is Allegiance Financial Group, Inc. However, the Registrant's primary business name is Richard Brothers, Financial Advisors. The Registrant is owned by Neal Patrick Richard and Randall Jon Richard. Randall Jon Richard ("Randall J. Richard") is the Registrant's President and Chief Compliance Officer. Allegiance Capital, L.L.C., d/b/a Richard Brothers Securities (broker dealer and FINRA Member) is an affiliated broker dealer.
- B. As discussed below, the Registrant offers to its clients (individuals, business entities, trusts, estates and charitable organizations, etc.) investment advisory services, and, to the extent specifically requested by a client, financial planning and related consulting services.

#### **RICHARD BROTHERS WRAP FEE PROGRAM**

The Registrant provides investment advisory services on a wrap fee basis in accordance with the Registrant's investment management wrap fee program (the "Program"). Under the Program, the Registrant is able to offer participants discretionary investment management services, for a single specified annual Program fee, inclusive of trade execution, custody, reporting, and investment advisory fees. Richard Brothers Securities shall serve as an introducing broker for all accounts opened under the Program. Additional information about this relationship, the conflicts of interest, and fees received by Richard Brothers Securities is set forth in Item 5.

The Wrap Fee Program Brochure is incorporated into this Brochure by reference. All prospective Program participants should read both the Registrant's Brochure and the Wrap Fee Program Brochure, and ask any corresponding questions that they may have, prior to participation in the Program. Richard Brothers Securities shall serve as the introducing broker-dealer, and Pershing Financial, LLC ("*Pershing*") shall serve as the custodian, for Program accounts.

**Please Note:** As indicated in the Wrap Fee Program Brochure, 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 Registrant for participation in the Program may be higher or lower than those charged by other sponsors of comparable wrap fee programs.

Registrant provides investment advisory services specific to the needs of each client. Before providing investment advisory services, an investment adviser representative will ascertain each client's investment objective(s). Thereafter, Registrant will allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The Registrant primarily allocates client investment assets among various open and closed end registered investment companies on a discretionary and non-discretionary basis in accordance with the client's designated investment objectives. Once allocated, Registrant provides ongoing monitoring and review of account performance, asset allocation and client investment objectives.

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 Registrant 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

#### **LIMITED NON-WRAP FEE, NON-DISCRETIONARY PROGRAM**

The Registrant provides limited non-wrap fee non-discretionary advisory services only upon specific request of certain clients. These limited non-wrap fee non-discretionary services are provided only to clients at their specific request who are not charged the standard advisory fee and who receive limited services for the fee charged. The services include a quarterly call with the client to determine if there are any financial needs or issues, followed by an annual meeting to then thoroughly review and implement the client's investment objectives(s) and financial plan. The Registrant will coordinate with the client's accountant regarding tax information, if necessary. The Registrant does not regularly review or manage the client's assets nor does it provide ongoing financial planning or trading of these assets. The Registrant facilitates trades only upon the specific request of the client. Prior to engaging Registrant to provide investment advisory services, clients are required to enter into an *Investment Advisory Agreement* with Registrant setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the fee that is due from the client.

#### **FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)**

To the extent requested by a client, the Registrant *may* determine to provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone separate fee basis. Prior to engaging the Registrant to provide planning or consulting services, clients are generally required to enter into a *Financial Planning and Consulting Agreement* with Registrant setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the client prior to Registrant commencing services. If requested by the client, Registrant may recommend the services of other professionals for implementation purposes, including the Registrant's representatives in their individual capacities as registered representatives of Richard Brothers Securities and/or as licensed insurance agents. (*See* disclosure at Item 10 C). The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from the Registrant. **Please Note:** If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. **Please Also Note:** Each client is advised that it remains the client's responsibility to promptly notify the Registrant if there is ever any change in client's financial situation or investment objectives for the purpose of reviewing/evaluating/revising Registrant's previous recommendations and/or services.

#### **RETIREMENT CONSULTING**

The Registrant also provides non-discretionary pension consulting services, pursuant to which it assists sponsors of self-directed retirement plans with the selection and/or monitoring of investment alternatives (generally open-end mutual funds) from which plan

participants shall choose in self-directing the investments for their individual plan retirement accounts. In addition, to the extent requested by the plan sponsor, the Registrant shall also provide participant education designed to assist participants in identifying the appropriate investment strategy for their retirement plan accounts. The terms and conditions of the engagement shall generally be set forth in a *Retirement Plan Consulting Agreement* between the Registrant and the plan sponsor.

## MISCELLANEOUS

**Non-Investment Consulting/Implementation Services.** To the extent requested by the client, the Registrant *may* provide consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. Neither the Registrant, nor any of its representatives, serves as an attorney or accountant, and no portion of the Registrant's services should be construed as same. To the extent requested by a client, the Registrant may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance, etc.), including representatives of the Registrant in their separate registered/licensed capacities as discussed below. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from the Registrant. **Please Note:** If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. **Please Also Note:** Each client is advised that it remains the client's responsibility to promptly notify the Registrant if there is ever any change in client's financial situation or investment objectives for the purpose of reviewing/evaluating/revising Registrant's previous recommendations and/or services.

**Unaffiliated Private Investment Funds.** Registrant may provide investment advice regarding private investment funds. The Registrant may recommend that its clients consider the purchase of private investment funds on a non-discretionary basis. The Registrant's role relative to the private investment funds shall be limited to its initial and/or ongoing due diligence and investment monitoring services. If a client determines or is already invested in a private fund, the amount of assets invested in the fund(s) shall be included for purposes of Registrant calculating its annual investment advisory fee. Registrant's clients are under absolutely no obligation to consider or make an investment in a private investment fund(s).

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

**Please Also Note: Valuation.** In the event that the Registrant references private investment funds owned by the client on any supplemental account reports prepared by the Registrant, the value(s) for all private investment funds owned by the client shall reflect the most recent valuation provided by the fund sponsor. If the fund sponsor does

not provide a post-purchase valuation, then the valuation shall reflect the initial purchase price (and/or a value as of a previous date) or the current value(s) (either the initial purchase price and/or the most recent valuation provided by the fund sponsor). If the valuation reflects the initial purchase price (and/or a value as of a previous date), then the current value(s) (to the extent ascertainable) could be significantly more or less than original purchase price. The client's advisory fee shall be based upon such reflected fund value(s).

**Variable Annuity Advisory Program.** The client can also engage Registrant to provide discretionary investment advisory services through its Variable Annuity Advisory Program (the "VA Program"). Under the VA Program, Registrant allocates client investment assets on a discretionary basis among the investment sub accounts of variable annuity products previously purchased by the client. Registrant generally proposes allocations to individual equity and fixed income investments, exchange traded funds, and mutual funds, consistent with the client's designated investment objectives. Once allocated, Registrant provides ongoing monitoring and review of sub-account performance, asset allocation, and client investment objectives.

The Registrant charges advisory fees on products that are placed through Richard Brothers Securities. Such fees are charged directly to the client and are not debited from the annuity product purchased. Such fees will result in an increase in the Registrants revenues and a may result in a decrease in the market value of the client's asset regardless of account performance. Prior to any purchase, all annuities are reviewed for suitability for the specific client by Richard Brothers Securities.

**Please Note: Non-Discretionary Service Limitations.** Clients that determine to engage the Registrant on a non-discretionary investment advisory basis **must be willing to accept** that the Registrant cannot effect any account transactions without obtaining prior verbal consent to any such transaction(s) from the client. Thus, in the event of a market correction and the client is unavailable, the Registrant will be unable to effect any account transactions (as it would for its discretionary clients) without first obtaining the client's consent.

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

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

**Client Obligations.** In performing its services, Registrant shall not be required to verify any information received from the client or from the client's other professionals, and is

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

- C. The Registrant shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will ascertain each client's investment objective(s). Thereafter, the Registrant shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at anytime, impose reasonable restrictions, in writing, on the Registrant's services.
- D. The Registrant manages exclusively wrap fee accounts. **Please Note:** When managing a client's account on a wrap fee basis, the Registrant shall receive as payment for its investment advisory services, the balance of the wrap fee after all other costs incorporated into the wrap fee have been deducted.
- E. As of December 31, 2015, the Registrant had \$50,568,650 in assets under management on a discretionary basis and \$8,555,840 in assets under management on a non-discretionary basis.

## **Item 5 Fees and Compensation**

- A. The client can determine to engage the Registrant to provide discretionary or non-discretionary investment advisory services on a wrap *fee* basis.

### **LIMITED NON-WRAP FEE, NON-DISCRETIONARY PROGRAM**

If a client engages the Registrant to provide its limited non-wrap fee non-discretionary advisory services, the Registrant charges a flat rate of \$500.00 per year for those services. This fee is paid quarterly in advance.

### **RICHARD BROTHERS WRAP PROGRAM FEES**

If a client determines to engage the Registrant to provide investment management services on a wrap fee basis in accordance with the Registrant's Program, the services offered under, and the corresponding terms and conditions pertaining to, the Program are discussed in the Wrap Fee Program Brochure, a copy of which is presented to all prospective Program participants. Under the Program, the Registrant is able to offer participants discretionary investment management services, for a single specified annual Program fee, inclusive of trade execution, custody, reporting, and investment advisory fees. The current annual Program fee ranges is negotiable, depending upon the amount and type of the Program assets, but will not exceed 2.00%.

Registrant's annual investment advisory fee shall include investment advisory services, and, to the **extent specifically requested** by the client, financial planning and consulting services. The Registrant reserves the right to not provide financial planning and consulting services to clients with less than \$250,000 under its management. In the event that the client requires extraordinary planning and/or consultation services (to be determined in the sole discretion of the Registrant), the Registrant may determine to charge for such additional services, the dollar amount of which shall be set forth in a separate written notice to the client.

Richard Brothers Securities is an affiliated broker-dealer of the Registrant which may provide introducing broker-dealer services on behalf of the Registrant 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 Registrant 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 Registrant 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 Registrant 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 Registrant 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 Registrant 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 Registrant investment management fees. Except with respect to retirement accounts

**Item 12 further describes this affiliation and the factors that the Registrant considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation.**

#### **FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)**

To the extent specifically requested by a client, the Registrant *may* determine to provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone fee basis. Registrant’s planning and consulting fees are negotiable, but generally range from \$3,000 to \$20,000 on a fixed fee basis, and from \$150 to \$300 on an hourly rate basis, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s).

- B. Clients may elect to have the Registrant’s advisory fees deducted from their custodial account. Both Registrant's *Investment Advisory Agreement* and the custodial/clearing agreement may authorize the custodian to debit the account for the amount of the Registrant's investment advisory fee and to directly remit that advisory fee to the Registrant in compliance with regulatory procedures. In the limited event that the Registrant bills the client directly, payment is due upon receipt of the Registrant’s



invoice. The Registrant shall deduct fees and/or bill clients quarterly in advance, based upon the market value of the assets on the last business day of the previous quarter.

- C. As discussed elsewhere in this Brochure, unless the client directs otherwise or an individual client's circumstances require, the Registrant shall generally recommend that *Pershing* serve as the broker-dealer for client investment management assets and that Richard Brothers Securities serve as the introducing broker-dealer. Broker-dealers such as *Pershing and Richard Brothers Securities* charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e. transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and fixed income securities transactions). Clients in the Richard Brothers Wrap Fee Program will not be separately responsible for these transaction fees or commissions. Clients in the Limited, Non-Wrap Fee, Non-Discretionary Program will be subject to these fees and commissions. In addition to Registrant's investment management fee, brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses).
- D. Registrant's annual investment advisory fee shall be prorated and paid quarterly, in advance, based upon the market value of the assets on the last business day of the previous quarter. The Registrant generally requires a minimum annual fee of \$2,000 for investment advisory services. The Registrant, 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.).

The *Investment Advisory Agreement* between the Registrant and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the *Investment Advisory Agreement*. Upon termination, the Registrant shall refund the pro-rated portion of the advanced advisory fee paid based upon the number of days remaining in the billing quarter.

- E. **Commission Transactions.** In the event that the client desires, the client can engage certain of the Registrant's representatives, in their individual capacities as registered representatives of Richard Brother Securities, an SEC registered and FINRA member broker-dealer, to implement investment recommendations on a commission basis. In the event the client chooses to purchase investment products through the Registrant's representatives, in their individual capacities, as registered representatives of Richard Brothers Securities, Richard Brothers Securities will charge brokerage commissions to effect securities transactions, a portion of which commissions Richard Brothers Securities shall pay to Registrant's representatives, as applicable. The brokerage commissions charged by Richard Brothers Securities may be higher or lower than those charged by other broker-dealers. In addition, Richard Brothers Securities, as well as Registrant's representatives, relative to commission mutual fund purchases, may also receive additional ongoing 12b-1 trailing commission compensation directly from the mutual fund company during the period that the client maintains the mutual fund investment.
1. **Conflict of Interest:** The recommendation that a client purchase a commission product from Richard Brothers Securities 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 needs. No client is under any obligation to purchase any commission products from Richard Brother Securities. **The Registrant'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.**

2. **Please Note:** Clients may purchase investment products recommended by Registrant through other non-affiliated broker dealers or agents.
3. The Registrant does not receive more than 50% of its revenue from advisory clients as a result of commissions or other compensation for the sale of investment products the Registrant recommends to its clients.
4. When Registrant's representatives sell an investment product on a commission basis, the Registrant does not charge an advisory fee in addition to the commissions paid by the client for such product. When providing services on an advisory fee basis, the Registrant's representatives do not also receive commission compensation for such advisory services (except for any ongoing 12b-1 trailing commission compensation that may be received as previously discussed). **However,** a client may engage the Registrant to provide investment management services on an advisory fee basis and separate from such advisory services purchase an investment product from Registrant's representatives on a separate commission basis.

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

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

## **Item 7            Types of Clients**

The Registrant's clients shall generally include individuals, business entities, trusts, estates, charitable organizations, pension and profit sharing plans. The Registrant generally requires a minimum annual fee of \$2,000 for investment advisory services. The Registrant, 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 8            Methods of Analysis, Investment Strategies and Risk of Loss**

- A. The Registrant may 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 Registrant may 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)
- Margin Transactions (use of borrowed assets to purchase financial instruments)

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

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

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

The Registrant'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 Registrant may also implement and/or recommend the use of margin transactions. This strategy has a high level of inherent risk. (*See* discussion below).

Margin is an investment strategy with a high level of inherent risk. A margin transaction occurs when an investor uses borrowed assets to purchase financial instruments. The investor generally obtains the borrowed assets by using other securities as collateral for the borrowed sum. The effect of purchasing a security using margin is to magnify any gains or losses sustained by the purchase of the financial instruments on margin. **Please Note:** To the extent that a client authorizes the use of margin, and margin is thereafter employed by the Registrant in the management of the client's investment portfolio, the market value of the client's account and corresponding fee payable by the client to the

Registrant may be increased. As a result, in addition to understanding and assuming the additional principal risks associated with the use of margin, clients authorizing margin are advised of the potential *conflict of interest* whereby the client's decision to employ margin *may* correspondingly increase the advisory fee payable to the Registrant. Accordingly, the decision as to whether to employ margin is left totally to the discretion of client.

- C. Currently, the Registrant primarily allocates client investment assets among various individual equity (stocks), debt (bonds), and fixed income securities, mutual funds, closed-end funds, UITs and/or ETFs on a discretionary and non-discretionary basis in accordance with the client's designated investment objective(s).

## **Item 9           Disciplinary Information**

The Registrant has not been the subject of any disciplinary actions.

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

- A. As disclosed above in Item 5.E, certain of Registrant's representatives are also registered representatives of Richard Brothers Securities, an SEC registered and FINRA member broker-dealer.

Richard Brothers Securities is an affiliated broker-dealer of the Registrant which may provide introducing broker-dealer services on behalf of the Registrant 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 Registrant 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 Registrant 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 Registrant 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 Registrant 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 Registrant 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 Registrant investment management fees.

**Item 12 further describes this affiliation and the factors that the Registrant considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation.**

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

C.

**Registered Representatives of Richard Brother Securities.** As disclosed above in Item 5.E, certain of Registrant's representatives, are registered representatives of Richard Brother Securities, an SEC Registered and FINRA member broker-dealer.

**Licensed Insurance Agency/Agents.** The Registrant also maintains an affiliated licensed insurance agency, AFX Global Advisors, Inc. Certain of Registrant'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 Registrant's representatives to effect insurance transactions on a commission basis.

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

- D. The Registrant does not receive, directly or indirectly, compensation from investment advisors that it recommends or selects for its clients.

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

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

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

- B. Neither the Registrant nor any related person of Registrant recommends, buys, or sells for client accounts, securities in which the Registrant or any related person of Registrant has a material financial interest.
- C. The Registrant and/or representatives of the Registrant *may* buy or sell securities that are also recommended to clients. This practice may create a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. Practices such as “scalping” (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if the Registrant did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, “front-running” (i.e., personal trades executed prior to those of the Registrant’s clients) and other potentially abusive practices.

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

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

## **Item 12            Brokerage Practices**

- A. In the event that the client requests that the Registrant recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct the Registrant to use a specific broker-dealer/custodian), Registrant generally recommends that investment management accounts be maintained at *Pershing*, and that Richard Brothers Securities serve as the introducing broker-dealer. As an introducing broker-dealer, Richard Brothers Securities does not hold or custody client funds or securities. Richard Brothers Securities accounts are carried on a fully disclosed basis at Pershing, LLC, a BNY (Bank of New York) Group company. Pershing provides custodial and clearing services for Richard Brothers Securities.

Prior to engaging Registrant to provide investment management services, the client will be required to enter into a formal *Investment Advisory Agreement* with Registrant setting

forth the terms and conditions under which Registrant shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

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

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

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

Registrant's clients do not pay more for investment transactions effected and/or assets maintained at *Pershing* as a result of this arrangement. There is no corresponding commitment made by the Registrant 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.

**The Registrant's Chief Compliance Officer, Randall J. Richard, remains available to address any questions that a client or prospective client may**

**have regarding the above arrangement and any corresponding perceived conflict of interest such arrangement may create.**

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

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

**The Registrant's Chief Compliance Officer, Randall J. Richard, remains available to address any questions that a client or prospective client may have regarding the above arrangement.**

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

## **Item 13      Review of Accounts**

- A. For those clients to whom Registrant provides investment supervisory services, account reviews are conducted on an ongoing basis by the Registrant's Principals and representatives. All investment supervisory clients are advised that it remains their responsibility to advise the Registrant 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 Registrant on an annual basis.



- B. The Registrant **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.
- C. 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 Registrant may also provide a written periodic report summarizing account activity and performance.

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

- A. As referenced in Item 12.A.1 above, the Registrant may receive an indirect economic benefit from *Pershing*. The Registrant, without cost (and/or at a discount), may receive support services and/or products from *Pershing*.

Registrant's clients do not pay more for investment transactions effected and/or assets maintained at *Pershing* as a result of this arrangement. There is no corresponding commitment made by the Registrant 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.

**The Registrant's Chief Compliance Officer, Randall J. Richard, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest any such arrangement may create.**

#### **Item 15      Custody**

The Registrant shall have the ability to have its advisory fee for each client debited by the custodian on a quarterly basis. 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 Registrant may also provide a written periodic report summarizing account activity and performance.

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

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

The client can determine to engage the Registrant to provide investment advisory services on a discretionary basis. Prior to the Registrant assuming discretionary authority over a client's account, the client shall be required to execute an *Investment Advisory Agreement*, naming the Registrant as the client's attorney and agent in fact, granting the

Registrant full authority to buy, sell, or otherwise effect investment transactions involving the assets in the client's name found in the discretionary account.

Clients who engage the Registrant on a discretionary basis may, at anytime, impose restrictions, **in writing**, on the Registrant's discretionary authority. (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe the Registrant's use of margin, etc.).

#### **Item 17      Voting Client Securities**

- A. The Registrant 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.
- B. Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact the Registrant to discuss any questions they may have with a particular solicitation.

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

- A. The Registrant does not solicit fees of more than \$1,200, per client, six months or more in advance.
- B. The Registrant 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.
- C. The Registrant has not been the subject of a bankruptcy petition.

**ANY QUESTIONS: The Registrant'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.**