

# **Richard Brothers, Financial Advisors**

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

**Dated: December 12, 2016**

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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 “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.

## **Item 3            Table of Contents**

Item 1	Cover Page.....	1
Item 2	Material Changes.....	2
Item 3	Table of Contents.....	2
Item 4	Advisory Business .....	3
Item 5	Fees and Compensation .....	7
Item 6	Performance-Based Fees and Side-by-Side Management .....	10
Item 7	Types of Clients.....	10
Item 8	Methods of Analysis, Investment Strategies and Risk of Loss.....	11
Item 9	Disciplinary Information .....	12
Item 10	Other Financial Industry Activities and Affiliations .....	12
Item 11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	14
Item 12	Brokerage Practices .....	15
Item 13	Review of Accounts.....	17
Item 14	Client Referrals and Other Compensation .....	17
Item 15	Custody.....	18
Item 16	Investment Discretion.....	18
Item 17	Voting Client Securities.....	18
Item 18	Financial Information .....	19
Item 19	Requirements for State-Licensed Advisers .....	19

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

- A. Richard Brothers, Financial Advisors is a corporation formed on September 30, 1996 in the State of Maine. Richard Brothers, Financial Advisors became licensed as an Investment Adviser Firm in 2002. Richard Brothers, Financial Advisors' full legal name is Allegiance Financial Group, Inc. However, Richard Brothers, Financial Advisors' primary business name is Richard Brothers, Financial Advisors. Richard Brothers, Financial Advisors is owned by Neal Patrick Richard and Randall Jon Richard. Randall Jon Richard ("Randall J. Richard") is Richard Brothers, Financial Advisors' 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, Richard Brothers, Financial Advisors 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**

Richard Brothers, Financial Advisors provides investment advisory services on a wrap fee basis in accordance with Richard Brothers, Financial Advisors' investment management wrap fee program (the "Program"). Under the Program, Richard Brothers, Financial Advisors 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 Richard Brothers, Financial Advisors' 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 Licensee for participation in the Program may be higher or lower than those charged by other sponsors of comparable wrap fee programs.

Licensee 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, Licensee will allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). Richard Brothers, Financial Advisors 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, Licensee 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, Richard Brothers, Financial Advisors 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**

Richard Brothers, Financial Advisors 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. Richard Brothers, Financial Advisors will coordinate with the client’s accountant regarding tax information, if necessary. Richard Brothers, Financial Advisors does not regularly review or manage the client’s assets nor does it provide ongoing financial planning or trading of these assets. Richard Brothers, Financial Advisors facilitates trades only upon the specific request of the client. Prior to engaging Licensee to provide investment advisory services, clients are required to enter into an *Investment Advisory Agreement* with Licensee 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, Richard Brothers, Financial Advisors *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 Richard Brothers, Financial Advisors to provide planning or consulting services, clients are generally required to enter into a *Financial Planning and Consulting Agreement* with Licensee 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 Licensee commencing services. If requested by the client, Licensee may recommend the services of other professionals for implementation purposes, including Richard Brothers, Financial Advisors’ 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 Richard Brothers, Financial Advisors. **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 Richard Brothers, Financial Advisors if there is ever any change in client’s financial situation or investment objectives for the purpose of reviewing/evaluating/revising Licensee’s previous recommendations and/or services. Financial Planning can be added to the assets under management fee for a flat fee, paid quarterly. The Licensee has the sole discretion to determine if it has conducted too much financial planning under the assets under management agreement and will then change to a financial planning agreement.

## RETIREMENT CONSULTING

Richard Brothers, Financial Advisors 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, Richard Brothers, Financial Advisors 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 Richard Brothers, Financial Advisors and the plan sponsor.

## MISCELLANEOUS

**Non-Investment Consulting/Implementation Services.** To the extent requested by the client, Richard Brothers, Financial Advisors *may* provide consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. Neither Richard Brothers, Financial Advisors, nor any of its representatives, serves as an attorney or accountant, and no portion of Richard Brothers, Financial Advisors' services should be construed as same. To the extent requested by a client, Richard Brothers, Financial Advisors may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance, etc.), including representatives of Richard Brothers, Financial Advisors 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 Richard Brothers, Financial Advisors. **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 Richard Brothers, Financial Advisors if there is ever any change in client's financial situation or investment objectives for the purpose of reviewing/evaluating/revising Licensee's previous recommendations and/or services.

**Variable Annuity Advisory Program.** The client can also engage Licensee to provide discretionary investment advisory services through its Variable Annuity Advisory Program (the "VA Program"). Under the VA Program, Licensee allocates client investment assets on a discretionary basis among the investment sub accounts of variable annuity products previously purchased by the client. Licensee 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, Licensee provides ongoing monitoring and review of sub-account performance, asset allocation, and client investment objectives.

Richard Brothers, Financial Advisors 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 Richard Brothers, Financial Advisors 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 Richard Brothers, Financial Advisors on a non-discretionary investment advisory basis **must be willing to accept** that Richard Brothers, Financial Advisors 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, Richard Brothers, Financial Advisors will be unable to effect any account transactions (as it would for its discretionary clients) **without first obtaining the client's consent.**

**Independent Managers.** Richard Brothers, Financial Advisors 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. Richard Brothers, Financial Advisors 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 Richard Brothers, Financial Advisors 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.** Licensee shall reimburse accounts for losses resulting from Richard Brothers, Financial Advisors' trade errors, and shall credit accounts for such errors resulting in market gains. The gains and losses are first reconciled within Richard Brothers, Financial Advisors' custodian firm account.

**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 Richard Brothers, Financial Advisors 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.

- C. Richard Brothers, Financial Advisors 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, Richard Brothers, Financial Advisors 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 Richard Brothers, Financial Advisors' services.
- D. Richard Brothers, Financial Advisors manages exclusively wrap fee accounts. **Please Note:** When managing a client's account on a wrap fee basis, Richard Brothers, Financial Advisors 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, Richard Brothers, Financial Advisors 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 Richard Brothers, Financial Advisors 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 Richard Brothers, Financial Advisors to provide its limited non-wrap fee non-discretionary advisory services, Richard Brothers, Financial Advisors 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 Richard Brothers, Financial Advisors to provide investment management services on a wrap fee basis in accordance with Richard Brothers, Financial Advisors' 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, Richard Brothers, Financial Advisors 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%. The current annual Program fee ranges is negotiable, depending upon the amount and type of the Program assets, but will not exceed 2.00% and is generally as follows:

PORTFOLIO VALUE	ANNUAL ADVISORY FEE
\$1,000,000 OR LESS	1.85 %
NEXT \$1,000,000	1.65 %
NEXT \$1,000,000	1.40 %
NEXT \$1,000,000	1.25 %
NEXT \$2,000,000	1.00 %
GREATER THAN \$6,000,000	0.75 %

Licensee's annual investment advisory fee shall include investment advisory services, and, to the **extent specifically requested** by the client, financial planning and consulting services. Richard Brothers, Financial Advisors 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 Richard Brothers, Financial Advisors), Richard Brothers, Financial Advisors 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 Richard Brothers, Financial Advisors which may provide introducing broker-dealer services on behalf of Richard Brothers, Financial Advisors 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 Richard Brothers, Financial Advisors 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 Richard Brothers, Financial Advisors 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, Richard Brothers, Financial Advisors 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). Richard Brothers, Financial Advisors 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. Richard Brothers, Financial Advisors 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 Richard Brothers, Financial Advisors investment management fees. Except with respect to retirement accounts

**Item 12 further describes this affiliation and the factors that Richard Brothers, Financial Advisors 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, Richard Brothers, Financial Advisors *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. Licensee'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). Financial Planning services can be added to other engagements for a flat fee, paid quarterly. The Licensee has the sole discretion to determine if and when to charge additional fees under an assets under management agreement and will then require client to enter into a financial planning agreement.

- B. Clients may elect to have Richard Brothers, Financial Advisors' advisory fees deducted from their custodial account. Both Licensee's *Investment Advisory Agreement* and the



custodial/clearing agreement may authorize the custodian to debit the account for the amount of Richard Brothers, Financial Advisors' investment advisory fee and to directly remit that advisory fee to Richard Brothers, Financial Advisors in compliance with regulatory procedures. In the limited event that Richard Brothers, Financial Advisors bills the client directly, payment is due upon receipt of Richard Brothers, Financial Advisors' invoice. Richard Brothers, Financial Advisors 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, Richard Brothers, Financial Advisors 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 Licensee'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. Licensee'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. Richard Brothers, Financial Advisors generally requires a minimum annual fee of \$2,000 for investment advisory services. Richard Brothers, Financial Advisors, 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 Richard Brothers, Financial Advisors 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, Richard Brothers, Financial Advisors 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 Richard Brothers, Financial Advisors' 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 Richard Brothers, Financial Advisors' 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 Licensee'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 Licensee'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. **Richard Brothers, Financial Advisors' 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 Licensee through other non-affiliated broker dealers or agents.
3. Richard Brothers, Financial Advisors 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 Richard Brothers, Financial Advisors recommends to its clients.
4. When Licensee's representatives sell an investment product on a commission basis, Richard Brothers, Financial Advisors 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, Richard Brothers, Financial Advisors' 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 Richard Brothers, Financial Advisors to provide investment management services on an advisory fee basis and separate from such advisory services purchase an investment product from Licensee's representatives on a separate commission basis.

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

Neither Richard Brothers, Financial Advisors nor any supervised person of Richard Brothers, Financial Advisors accepts performance-based fees.

## **Item 7            Types of Clients**

Richard Brothers, Financial Advisors' clients shall generally include individuals, business entities, trusts, estates, charitable organizations, pension and profit sharing plans. Richard Brothers, Financial Advisors generally requires a minimum annual fee of \$2,000 for investment advisory services. Richard Brothers, Financial Advisors, 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. Richard Brothers, Financial Advisors 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)

Richard Brothers, Financial Advisors 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 Richard Brothers, Financial Advisors) will be profitable or equal any specific performance level(s).

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

Richard Brothers, Financial Advisors' 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, Richard Brothers, Financial Advisors 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 Richard Brothers, Financial Advisors 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 Richard Brothers, Financial Advisors 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 Richard Brothers, Financial Advisors. Accordingly, the decision as to whether to employ margin is left totally to the discretion of client.

- C. Currently, Richard Brothers, Financial Advisors 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**

Richard Brothers, Financial Advisors 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 Licensee's representatives are also registered representatives of Richard Brother Securities, an SEC registered and FINRA member broker-dealer.

Richard Brothers Securities is an affiliated broker-dealer of Richard Brothers, Financial Advisors which may provide introducing broker-dealer services on behalf of Richard Brothers, Financial Advisors 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 Richard Brothers, Financial Advisors 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 Richard Brothers, Financial Advisors 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, Richard Brothers, Financial Advisors 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). Richard Brothers, Financial Advisors 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. Richard Brothers, Financial Advisors 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 Richard Brothers, Financial Advisors investment management fees.

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

- B. Neither Richard Brothers, Financial Advisors, 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 Licensee's representatives, are registered representatives of Richard Brother Securities, an SEC Registered and FINRA member broker-dealer.

**Licensed Insurance Agency/Agents.** Richard Brothers, Financial Advisors also maintains an affiliated licensed insurance agency, AFX Global Advisors, Inc. 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. **Richard Brothers, Financial Advisors' 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. Richard Brothers, Financial Advisors 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. Richard Brothers, Financial Advisors 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.

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

- B. Neither Richard Brothers, Financial Advisors nor any related person of Licensee recommends, buys, or sells for client accounts, securities in which Richard Brothers, Financial Advisors or any related person of Licensee has a material financial interest.
- C. Richard Brothers, Financial Advisors and/or representatives of Richard Brothers, Financial Advisors *may* buy or sell securities that are also recommended to clients. This practice may create a situation where Richard Brothers, Financial Advisors and/or representatives of Richard Brothers, Financial Advisors 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 Richard Brothers, Financial Advisors 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 Richard Brothers, Financial Advisors' clients) and other potentially abusive practices.

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

- D. Richard Brothers, Financial Advisors and/or representatives of Richard Brothers, Financial Advisors *may* buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where Richard Brothers, Financial Advisors and/or representatives of Richard Brothers, Financial Advisors 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, Richard Brothers, Financial Advisors has a personal securities

transaction policy in place to monitor the personal securities transaction and securities holdings of each of Licensee's Access Persons.

## **Item 12 Brokerage Practices**

- A. In the event that the client requests that Richard Brothers, Financial Advisors recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct Richard Brothers, Financial Advisors to use a specific broker-dealer/custodian), Licensee 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 Licensee to provide investment management services, the client will be required to enter into a formal *Investment Advisory Agreement* with Licensee setting forth the terms and conditions under which Licensee shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that Richard Brothers, Financial Advisors considers in recommending Richard Brothers Securities or *Pershing* (or any other broker-dealer/custodian to clients) include historical relationship with Richard Brothers, Financial Advisors, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by Licensee's clients shall comply with Richard Brothers, Financial Advisors' 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 Richard Brothers, Financial Advisors 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 Licensee 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, Licensee's investment advisory fee. Richard Brothers, Financial Advisors' 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, Licensee 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 Richard Brothers, Financial Advisors to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by Richard Brothers, Financial Advisors 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 Licensee 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 Richard Brothers, Financial Advisors in managing and administering client accounts. Others do not directly provide such assistance, but rather assist Richard Brothers, Financial Advisors to manage and further develop its business enterprise.

Licensee'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 Richard Brothers, Financial Advisors 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.

**Richard Brothers, Financial Advisors' 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. Richard Brothers, Financial Advisors does not receive referrals from broker-dealers.
3. Richard Brothers, Financial Advisors 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 Licensee 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 Licensee. 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 Licensee 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 Licensee.

**Richard Brothers, Financial Advisors' 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 Richard Brothers, Financial Advisors provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless Richard Brothers, Financial Advisors decides to purchase or sell the same securities for several clients at approximately the same time. Richard Brothers, Financial Advisors 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 Richard Brothers, Financial Advisors’ 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. Richard Brothers, Financial Advisors 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 Licensee provides investment supervisory services, account reviews are conducted on an ongoing basis by Richard Brothers, Financial Advisors’ Principals and representatives. All investment supervisory clients are advised that it remains their responsibility to advise Richard Brothers, Financial Advisors 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 Richard Brothers, Financial Advisors on an annual basis.
- B. Richard Brothers, Financial Advisors *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. Richard Brothers, Financial Advisors 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, Richard Brothers, Financial Advisors may receive an indirect economic benefit from *Pershing*. Richard Brothers, Financial Advisors, 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 a result of this arrangement. There is no corresponding commitment made by Richard Brothers, Financial Advisors 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.

**Richard Brothers, Financial Advisors' 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**

Richard Brothers, Financial Advisors 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. Richard Brothers, Financial Advisors may also provide a written periodic report summarizing account activity and performance.

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

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

The client can determine to engage Richard Brothers, Financial Advisors to provide investment advisory services on a discretionary basis. Prior to Richard Brothers, Financial Advisors assuming discretionary authority over a client's account, the client shall be required to execute an *Investment Advisory Agreement*, naming Richard Brothers, Financial Advisors as the client's attorney and agent in fact, granting Richard Brothers, Financial Advisors 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 Richard Brothers, Financial Advisors on a discretionary basis may, at anytime, impose restrictions, **in writing**, on Richard Brothers, Financial Advisors' 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 Richard Brothers, Financial Advisors' use of margin, etc.).

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

- A. Richard Brothers, Financial Advisors 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 Richard Brothers, Financial Advisors to discuss any questions they may have with a particular solicitation.

## **Item 18            Financial Information**

- A. Richard Brothers, Financial Advisors does not solicit fees of more than \$500, per client, six months or more in advance.
- B. Richard Brothers, Financial Advisors 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. Richard Brothers, Financial Advisors has not been the subject of a bankruptcy petition.

**ANY QUESTIONS: Richard Brothers, Financial Advisors' 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 19            Requirements for State-Licensed Advisers**

- A. Neal Richard and Randall Richard are the Principals of Richard Brothers, Financial Advisors. For more information about the above individual, please see the Brochure Supplement.
- B. As referenced throughout this Part 2A Brochure, Messrs. Randall Richard and Neal Richard are registered representatives of *Richard Brother Securities*. Additionally, certain individuals are licensed insurance agents.
- C. Neither Richard Brothers, Financial Advisors nor its representatives receive compensation in the form of performance-based fees.
- D. Neither Richard Brothers, Financial Advisors, nor its representatives have been the subject of any disciplinary actions.
- E. Neither Richard Brothers, Financial Advisors, nor its representatives, have any relationship or arrangement with any issuer of securities.

**ANY QUESTIONS: Richard Brothers, Financial Advisors' 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.**