

# DISCLOSURE BROCHURE

THE INVESTMENT ADVISERS ACT OF 1940 RULE 203-1

**PART 2A OF FORM ADV: FIRM BROCHURE**



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**Rainey & Randall Investment Management, Inc.**  
REGISTERED INVESTMENT ADVISOR

This Disclosure Brochure provides information about the qualifications and business practices of Rainey & Randall Investment Management, Inc., which should be considered before becoming a client. You are welcome to contact us if you have any questions about the contents of this brochure - our contact information is listed to the right. Additional information about Rainey & Randall Investment Management, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

The information contained in this Disclosure Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any State Securities Administrator. Furthermore, the term "registered investment advisor" is not intended to imply that Rainey & Randall Investment Management, Inc. has attained a certain level of skill or training.

610 Sycamore Street  
Suite 355  
Celebration, Florida 34747

Toll: 888.644.7711  
Tel: 727.344.7711  
Fax: 866.422.3227

[wayne@raineyrandall.com](mailto:wayne@raineyrandall.com)  
[michael@raineyrandall.com](mailto:michael@raineyrandall.com)  
[www.raineyrandall.com](http://www.raineyrandall.com)

BROCHURE  
DATED

**1**  
**JANUARY**  
**2016**



## MATERIAL CHANGES

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ITEM 2

SEC Rule 204-3(b)(2) allows us to provide you with a summary page of Material Changes in lieu of sending out our entire Disclosure Brochure. If you are being offered this Material Change page as a separate piece from our Disclosure Brochure and you have questions about these summary disclosures or would like a current copy of our Disclosure Brochure to review, **you may contact us and a current, complete Disclosure Brochure will be sent free of charge.**

### Broker/Dealer Affiliation

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Mr. Michael D. Rainey and Mr. Wayne F. Randall are no longer Registered Representatives of Lincoln Investment Planning, Inc. Such relationship has been removed from this Disclosure Brochure.

Ending their relationship with Lincoln Investment Planning **will have no impact on the management of your account or limit the financial services we can provide you.** Full focus of their attention has been, and always will be, to provide you effective financial solutions that address your investment needs.

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### RAINEY & RANDALL INVESTMENT MANAGEMENT, INC.

610 SYCAMORE STREET, SUITE 355  
CELEBRATION, FLORIDA 34747

TEL: 727.344.7711  
FAX: 866.422.3227

This brief is being provided to you as a summary of what has been fully disclosed in our Disclosure Brochure dated January 1, 2016. The information contained on this Material Change page has not been approved or verified by the United States Securities and Exchange Commission or by any State Securities Administrator.



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	<b>Michael D. Rainey</b>	
	<b>Wayne F. Randall</b>	



## ADVISORY BUSINESS

### Who We Are

Rainey & Randall Investment Management, Inc. (hereinafter referred to as “Rainey & Randall”, the “Company” “we”, “us” and “our”) is a registered investment advisor<sup>1</sup> formed in February 1999 as a Florida corporation.

### Owners

The following persons control Rainey & Randall:

Name	Title	CRD#
Michael D. Rainey	Chief Executive Officer	2316398
Wayne F. Randall	President	2173538

### Assets Under Management

As of January 1, 2016, our assets under management totaled:

Client Discretionary Managed Accounts ..... \$214,000,000

We do not offer non-discretionary investment management services.

### Our Mission

Our mission is to assist you, our client<sup>2</sup>, in dealing with the vast array of financial alternatives and implications of life events with one overall objective in mind - preserve and expand your assets in a manner appropriate with your given level or risk.

### What We Do

We offer financial solutions that stress fiscal responsibility and shrewd planning that is not always about the accumulation of assets, which we believe has little to do with real happiness, but what is best for your personal health and well-being.

Some of the best advice we could ever offer you is that success, achievement, and contentment in life have little to do with personal wealth but are instead related to lifestyle choices. These lifestyle choices are your unique values, life goals, and plans. Therefore the economic solutions we develop, whether portfolio management and/or financial planning, reflects how *you* define true wealth, not us. Our services include:

<sup>1</sup> The term “registered investment advisor” is not intended to imply that Rainey & Randall Investment Management, Inc. has attained a certain level of skill or training. It is used strictly to reference the fact that we are “registered” as a licensed “investment advisor” with the United States Securities and Exchange Commission - and with such other State Agencies that may have limited regulatory jurisdiction over our business practices.

<sup>2</sup> A client could be a high net-worth individual and their family members, a family office, a foundation or endowment, a charitable organization, a corporation and/or small business, a trust, a guardianship, an estate, or any other type of entity to which we choose to give investment advice.



## Portfolio Management

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Our Portfolio management strategies focus on designing a portfolio allocation of primarily investment company (“mutual fund”) products, a small mix of equity (“stock”) positions, fixed income (“bond”) instruments, and exchange traded funds (“ETFs”) to achieve the best return on your investment capital.

With the complexity of today’s marketplace, it is critical for us to understand who you are and what you want to accomplish financially. Our initial meetings with you, and the profile questionnaires<sup>3</sup> we have you complete, help us have a clearer picture of your personal finances, investment return expectations, time horizon, and risk tolerance so that we can develop a successful investment strategy and tailored asset allocation guideline unique to your investment objectives. If you have difficulty expressing your monetary needs or do not truly have a grasp of your overall personal finances, a financial plan may be suggested before proceeding with any portfolio management services.

Our meetings with you to discuss your finances, and, if necessary, develop a financial plan, will help to eliminate much of the guesswork in achieving the security and independence you desire and simplify your financial alternatives. In return, we will have:

- ❖ Defined and narrowed objectives and investment options;
- ❖ Identified areas of greatest distress;
- ❖ Developed a strategy for addressing concerns about the future;
- ❖ Cultivated peace of mind; and,
- ❖ Created a unique picture of your overall economic personality.

Once your financial parameters have been identified, we will prepare a policy allocation statement that outlines what asset mix is most suitable for your unique investment expectations and risk tolerance. This investment plan will guide us in the management of your account(s), and as a standard against which to measure future results and to make modifications where necessary.

You will find more information about our management fees and services under “Investment Strategy Programs” in Item 5, “Fees & Compensation” and further description of our management style under Item 8, “Methods of Analysis, Investment Strategies & Risk of Loss”.

## Financial Planning

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Financial planning is one of the most important services that successful people use to create an extraordinary personal life and business career. However it requires a lifetime commitment, not only from us, the Financial Planner, but from you as well.

### What is a Financial Plan?

Financial planning is an evaluation of the investment and financial options available to you based upon your defined lifestyle choices. Planning includes: (i) attempting to make optimal decisions; (ii) projecting the consequences of these decisions for you in the form of a financial plan - a working blueprint; and, (iii) implementing the protocol to achieve the

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<sup>3</sup> The profile questionnaires we use are important tools in gathering information about your investment methodology, risk tolerance, income/tax bracket, liquidity, time horizons, etc. If you elect not to answer these questionnaires or choose to respond with limited input, it is possible that we could operate in a handicapped capacity contrary to your investment needs. Therefore, if you desire the most effective and accurate recommendations regarding your managed account(s), you should make every effort to provide us with your detailed personal needs and objectives, along with detailed financial and tax information.



objectives of the plan. Once complete, the plan is then used to compare future performance against the working blueprint.

### Financial Planning Composition

A financial plan may encompass one or more of the following areas of financial need as communicated by you:

- ❖ **Personal** - Family records, budgeting, personal liability, estate information and financial goals.
- ❖ **Education** - Education IRAs, financial aid, and state savings plans including 529 plans, grants and general assistance in preparing to meet dependents' continuing education needs.
- ❖ **Taxes and Cash Flow** - Understanding the impact of various investments on current and future income tax liability.
- ❖ **Survivor and Beneficiary Planning** - Cash needs at death, income needs of surviving dependents, estate planning and income analysis.
- ❖ **Estate** - Reviewing wills, trusts, and other estate planning documents to determine if you should seek the assistance of an estate-planning attorney. Reviewing powers of attorney, nursing home and assisted living agreements, living trusts, and Medicare/Medicaid benefits.
- ❖ **Retirement** - Analysis of current strategies and investment plans to help achieve retirement goals.
- ❖ **Investments** - Analysis of investment alternatives including risk and return analysis and their effect on your investment portfolio(s). Assessment of your risk tolerance profile.
- ❖ **Real Estate** - Analysis of real estate investment opportunities.
- ❖ **Insurance** - Review of existing policies to ensure proper coverage for life, health, disability, long-term care, liability, home and automobile.

### Preparing the Financial Plan

We gather the necessary information to complete our analysis through personal interviews, review of various documents supplied by you, and completion of one or more profile questionnaires. Information gathered may include statements regarding your current financial status, a list of assets, insurance, wills and/or trust documents, income and expenses, Social Security eligibility, and other information<sup>4</sup> based on your financial status and future goals.

You will find more information about our financial planning fees under “Financial Planning” below in Item 5, “Fees & Compensation”.

### Retirement Plans

We assist ERISA-qualified retirement and savings plans in the design of the fiduciary governance structure and with the development of an investment management program. Our services under ERISA are to act as a **Limited-Scope 3(21) Fiduciary**. As such, we acknowledge we have a co-fiduciary role but **do not** take discretion or act as a 3(38) Fiduciary to construct an investment menu, select and monitor money managers, mutual funds, or ETFs or to replace the investment options within the plan.

<sup>4</sup> All information provided by and to you will be kept entirely confidential. Such information will be disclosed to third parties only with mutual written consent or as may be permitted by law.



Our responsibility to the plan sponsors and/or named fiduciary of the retirement plan includes:

- ❖ Educating plan participants about general investment principles and the investment alternatives available under the retirement plan.
- ❖ Assisting plan participants with investments available in the plan consistent with the Department of Labor's definition of investment education as described in their Interpretive Bulletin 96-1.<sup>5</sup>
- ❖ Assist in the group enrollment meetings designed to increase retirement plan participation among employees and investment and financial understanding by the employees.

Fees for our retirement planning are disclosed below under "Retirement Plans" in Item 5, "Fees & Compensation."

## FEES & COMPENSATION

ITEM 5

### Portfolio Management

Portfolio management is provided on a asset-based fee arrangement. Management fees are calculated based on the aggregate market value of your account on the last business day of the previous calendar quarter multiplied by **one-fourth of the corresponding annual percentage rate for each portion of your portfolio assets that fall within each tier** (See "Billing" below under "Protocols for Portfolio Management" for more information.). We retain discretion to negotiate the management fee within each tier on a client-by-client basis depending on the size and complexity of the portfolio managed. In addition, fee breaks occur as assets in your portfolio increase past the following tiers:

Account Value	Annual Fee Rate Not to Exceed
<b>Asset Mix/Option Trading Portfolios</b>	
First \$500,000 .....	1.35%
Next \$500,000 .....	1.15%
Next \$1,000,000 .....	0.95%
Next \$3,000,000 .....	0.75%
Over \$5,000,000 .....	0.50%
<b>Fixed Income Portfolios</b>	
All Account Values .....	0.50%

We generally require a minimum initial investment of **\$100,000** to open a managed account; however, we retain the right to **waive or reduce** this minimum if we choose to do so.

<sup>5</sup> The Company is not providing fiduciary advice (as defined under ERISA) to the participants. The Company will not provide investment advice concerning the prudence of any investment option or combination of investment options for a particular participant or beneficiary under the retirement plan.



## Protocols for Portfolio Management Services

The following protocols establish how we handle our portfolio management accounts and what you should expect when it comes to: (i) managing your account; (ii) your bill for investment services; and (iii) other fees charged to your account(s).

### Discretion

We will establish discretionary trading authority on all management accounts to execute securities transactions at anytime without your prior consent or advice. At anytime however, you may impose restrictions, **in writing**, on our discretionary authority (i.e., limit the types/amounts of particular securities purchased for your account, exclude the ability to purchase securities with an inverse relationship to the market, limit our use of leverage, etc.)

### Billing

Your account will be **billed quarterly in advance** based on the fair market value for the portion of your portfolio that **falls within each tier** of our fee schedule. As your portfolio value increases into the next tier level, either through additional deposits or asset growth, the amount of assets above the fee-break will be billed the corresponding annual fee rate. This results in a blended fee and **effectively lowers the annual fee costs** to manage your portfolio. For example:

Sample Portfolio Value: \$1,300,000

Tier Fee-Breaks (The \$1.3 Million Broken Down Into Each Tier Level)	Annual Fee % (Per Tier)	Tier Fee Contribution (Based on the Account Value Within Each Tier)
\$500,000	1.35%	0.519%
\$500,000	1.15%	0.442%
\$300,000	0.95%	0.219%
<b>Blended Annual Fee %</b>		<b>1.18%</b>

For **new managed** accounts opened in mid-quarter, our fee will be based upon a pro-rata calculation of the fair market value of your assets to be managed for the period. Advisory fees will be deducted first from any money market funds or cash balances. If such assets are insufficient to satisfy payment of such fees, a portion of the account assets will be liquidated to cover the fees.

### Deposits and Withdrawals

Assets deposited by you into your portfolio management account between billing cycles will not result in additional management fees being billed to your account unless such deposits exceed \$25,000. Such deposits of this amount or greater, in most cases, will require modifications and adjustments to your investment allocation. Therefore, we reserve the right to bill your account a pro-rated fee based upon the number of days remaining in the current quarterly period for deposits exceeding the above amount.

For assets you may withdraw during the quarter, we **do not make partial refunds** of our portfolio management fee. Just as with deposits, withdrawals from your account will require modifications and adjustments to be made to correct the allocation of assets in your portfolio.

### Fee Exclusions

The above fees for all of our management services are exclusive of any charges imposed by the custodial firm including, but not limited to: (i) any Exchange/SEC fees; (ii) certain





transfer taxes; (iii) service or account charges, including, postage/handling fees, electronic fund and wire transfer fees, auction fees, debit balances, margin interest, certain odd-lot differentials and mutual fund short-term redemption fees; and (iv) brokerage and execution costs associated with securities held in your managed account. There can also be other fees charged to your account that are unaffiliated with our management services.

In addition, all fees paid to us for portfolio management services are separate from any fees and expenses charged on mutual fund shares by the investment company or by the investment advisor managing the mutual fund portfolios. These expenses generally include management fees and various fund expense, such as: redemption fees, account fees, and purchase fees may occur but are the exception within managed accounts at institutional custodians. A complete explanation of these expenses charged by the mutual funds is contained in each mutual fund's prospectus. You are encouraged to carefully read the fund prospectus.

### Termination of Investment Services

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To terminate our investment advisory services, either party (you or us) by written notification to the other party, may terminate the Investment Advisory Agreement at any time, provided such written notification is received **at least 30 days prior** to the date of termination (i.e.; To terminate services on October 1<sup>st</sup>, a request for termination should be received in our office by September 1<sup>st</sup>). Such notification should include the date the termination will go into effect along with any final instructions on the account (i.e., liquidate the account, finalize all transactions and/or cease all investment activity).

In the event termination does not fall on the last day of a calendar quarter, you shall be entitled to a pro-rated refund of the prepaid quarterly management fee based upon the number of days remaining in the quarter after the termination notice goes into effect. Once the termination of investment advisory services has been implemented, neither party has any obligation to the other - we no longer earn management fees or give investment advice and you become responsible for making your own investment decisions.

### Financial Planning

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How we charge to develop a financial plan depends on the size, complexity, and nature of your personal and financial situation and the amount of time it will take to analyze and summarize the plan and perform the services you desire.

#### Planning Fees

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We reserve the option to waive our financial planning fees should you want us to manage your investment portfolio. Our financial planning services are offered on our hourly rate not to exceed \$225.00. Such fee will be fully disclosed up-front in a Financial Planning Agreement ("Agreement"), which will include the cost<sup>6</sup> to review your financial information and prepare the desired financial planning service. We have the option to: (i) require full payment up-front; or, (ii) require one-half the fee be paid at the time the Agreement is signed, with the remaining balance due upon completion of the financial plan<sup>7</sup>.

<sup>6</sup> Rarely will a fee exceed those costs outlined in the Agreement. However, there can be instances where we did not contract with you to perform a particular task and therefore merit notifying you of the additional cost prior to beginning such services.

<sup>7</sup> The recommendations made in a financial plan are generally completed within 30 to 45 days from you signing the Agreement. However, implementing the plan using outside professionals (i.e., attorneys, CPAs, etc...) may require additional time that is out of our control. Therefore when we refer to the completion of the financial plan, we are referring to us (you and the Company) finalizing your financial benchmarks/objectives before approaching any outside professional.



### Annual Retainer Fee

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It is important to note that any planning is kinetic (always in motion) and alive. A financial plan is a roadmap that is only as good as how well it reflects your current economic position to then guide you on a clear path to a future financial destination. However you can veer off course, intentionally or unintentionally, as circumstances in your life take you down another path. Our annual financial plan review is designed to systematically address these unexpected diversions and continually keep you on the right road headed to your future financial destination.

Therefore, we strongly suggest that the overall financial plan be reviewed not less than on an annual basis. If you want us to annually review your financial plan, we will notify you of the annual cost to perform the desired work at the beginning of each year. Generally our retainer fee will be equal to one-half of the financial planning fee we originally charged. As with the initial planning fee, we have the option to waive the annual retainer if we are managing your investment portfolio.

### Termination

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You can terminate the Agreement at any time prior to the presentation of the any financial planning documents. We will be compensated through the date of termination for time spent in design of such financial documents at the hourly rate agreed to in the Agreement. If you have prepaid any fees, such fees will be returned on a pro-rata basis. After the financial plan has been completed and presented to you, termination of the Agreement is no longer an option.

### Retirement Plans

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As a **Limited-Scope 3(21) Fiduciary** our primary responsibility to the plan sponsors and/or named fiduciary will be to assist plan participants with understanding general investment principles under the plan, increase participation among employees at group enrollment meetings, and monitor the retirement plan service providers to insure the plan is being serviced as agreed.

### Retirement Plan Fees

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Retirement planning services are provided on an asset-based fee arrangement and the retirement plan service provider will administer such fees. **The plan providers will disclose all fees to the plan sponsors and/or named fiduciary in a retirement planning agreement.** The fees that will be charged to retirement plan will include, but are not limited to:

1. The plan providers platform fees (plan level and participant level fees);
2. The investment manager's management fee, if any, along with other management costs; and,
3. Our fee (not to exceed 0.50%) that the Plan/Service Provider will pay us from the total fee collected.

### Separate Agreement

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The agreement that the plan sponsor signs with the retirement plan service provider is separate and distinct from any portfolio management or financial planning services the Company offers individuals. If the plan sponsors or participants desire individual portfolio management or financial planning services for assets held outside and separate from their



retirement plan, a separate portfolio management or financial planning agreement will be required for that specific service.

## PERFORMANCE-BASED FEES & SIDE-BY-SIDE MANAGEMENT

ITEM 6

We do not charge fees based on a share of capital gains or the capital appreciation of the assets held in your accounts.

## TYPES OF CLIENTS

ITEM 7

The types of clients we offer advisory services to are described above under “Our Mission” in the Item 4, the “Advisory Business” section. Our minimum account size for portfolio management is disclosed above under “Portfolio Management” in Item 5 above in the, “Fees & Compensation” section of this Brochure.

## METHODS OF ANALYSIS, INVESTMENT STRATEGIES & RISK OF LOSS

ITEM 8

Our portfolio management services are designed to build long-term wealth while maintaining risk tolerance levels acceptable to you. We combine your financial needs and investment objectives, time horizon, and risk tolerance to yield an effective investment strategy. Your portfolio is then tailored to these unique investment parameters using primarily investment company (“mutual fund”) products, a small mix of equity (“stock”) positions, fixed income (“bond”) instruments, and exchange traded funds (“ETFs”).

In addition, depending on your risk tolerance, we may also recommend using the following investment vehicles to achieve your desired investment objective: derivatives (i.e., options, commodities, etc.), leveraged index funds, closed-end funds, hedge funds, private placements, and other publicly traded securities. However, these investment vehicles bring on a different risk dynamic. If we recommend investment in one of these securities, we will discuss with you the limitations of such security and the potential risk factors to your portfolio.

### Methods of Analysis

In analyzing all securities we will use a combination of analysis techniques to guide us in our management decisions.

#### Fundamental Analysis

Fundamental analysis considers: economic conditions, earnings, cash flow, book value projections, industry outlook, politics (as it relates to investments), historical data, price-earnings ratios, dividends, general level of interest rates, company management, debt ratios and tax benefits.

**RISKS** - Fundamental analysis places greater value on the long-term financial structure and health of a company, which may have little to no bearing on what is actually happening in the market place. Investing in companies with sound financial data/strength and a history of health returns can be a good long-term investment to hold in your portfolio; however, such fundamental data does not always correlate to the trading value of the stock on the



exchanges. In the short-term, the stock can decrease in value as investors trade in other market sectors.

### Technical Analysis

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Technical analysis utilizes current and historical pricing information to help us identify trends in the broader domestic and foreign equity and fixed income markets, and in the underlying assets themselves. This may involve the use of various technical indicators, such as moving averages and trend-lines, among others.

**RISKS** - Technical analysis is charting the historical market data of a stock, taking into consideration current market conditions, to forecast the direction of a future stock price rather than using fundamental tools for evaluating a company's financial strength. Technical analysis focuses on the price movement of a security trading in the market place. This is an ideal tool for short-term investing to identify ideal market entry/exit points. However, no market indicator is absolutely reliable and your investment portfolio can underperform in the short-term should the market indicators be incorrect.

### Cyclical Analysis

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Market cycles provide historic tried and true timing mechanisms to indicate turning points in future market prices. By tracking historic data through charts and graphs we can improve entry and exit timing strategies. Coupling cyclical analysis with technical analysis helps to ensure the most favorable buy/sell signal.

**RISKS** - Cyclical data reveals regular intervals of repeated events that can be forecasted into the future to time the market on when to buy/sell a security. The risk with cyclical analysis is attempting to buy/sell a security based on a future price prediction and missing beneficial movements in price due to an error in timing. This causes harm to the value of the security being bought too high or sold too low.

**Fundamental analysis** provides us with a broad long-term view of a security that begins with determining a company's value and the strength of its financials while **technical analysis** is short-term focusing on the statistics generated by market activity. **Cyclical analysis** provides us with historical data on market trends to focus our technical analysis for ideal entry/exit points.

### Investment Strategies

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Money made from appreciation has greater risk (volatility) than money earned from dividends in income-oriented securities. Taking into consideration your need for income (portfolio withdrawals) and your tolerance for risk, we can help you select among the following investment strategies:

- ❖ **Fixed Income Strategy** - The Fixed Income Strategy is a risk-averse investment approach that seeks to preserve portfolio values by investing solely in income-oriented securities that include, but are not limited to: corporate, municipal, and government bond funds within the U.S. and international markets. We will also utilize fixed income mutual funds, ETFs, and to a lesser degree preferred-stock funds, and funds that move inversely to market indexes.
- ❖ **Income & Growth Strategy** - The Income & Growth Strategy is a balanced investment approach that seeks to preserve portfolio values yet assumes conservative investment risk. Securities utilized are primarily income-oriented bond funds with a complementary exposure to stock mutual funds and/or exchange-traded securities



representing market sectors or differing asset classes. You should be willing to accept modest stock market risk and volatility.

- ❖ **Asset Mix Allocation Strategy** - The Asset Mix Allocation Strategy seeks to preserve portfolio values yet assumes more risk through diversifying investments among asset classes and market sectors. Securities used are a diversified mix of domestic and international mutual funds and ETFs. The objective is to maximize risk-adjusted returns in both bull and bear market cycles. You should be willing to accept moderate stock market risk and volatility.
- ❖ **Option Trading<sup>8</sup> Strategy** - The Option Trading Strategy seeks to generate income from the premiums received from option contract sales, dividend income, equity appreciation, and enhanced income returns using secured covered call/put options and/or option collars. Our Option Trading Strategy is a neutral to bullish investment strategy designed to generate income in exchange for assuming the obligation to sell, or risk of selling, an equity position at a specified price - generally at a price slightly higher to moderately higher than where the stock is currently trading. You should be willing to accept increased volatility and trading, with less diversification.

## Investment Methodology

We are not bound to a specific investment methodology for the management of your investment portfolio except for how such strategy might affect your income needs and tolerance for risk. Our goal in managing your investments is to grow your portfolio during rising markets and protect your assets when markets decline while maintaining a disciplined management approach so as to not sacrifice long-term goals for short term gains. Our investment methodology generally incorporates one or all of these ideologies:

### Modern Portfolio Theory

Modern Portfolio Theory (“MPT”)<sup>9</sup> is the analysis of a portfolio of stocks as opposed to selecting stocks based on their unique investment opportunity. The objectives of MPT is to determine your preferred level of risk and then construct a portfolio that seeks to maximize your expected return for that given level of risk.

### Asset Allocation

Asset Allocation is a broad term used to define the process of selecting a mix of asset classes and the efficient allocation of capital to those assets by matching rates of return to a specified and quantifiable tolerance for risk. From this there are more narrow and aggressive Asset Allocation derivatives that we may use.

We have developed five model portfolio structures that are used as Asset Allocation guideline models in designing investment portfolios. Each model consists of a different “target” Asset Allocation comprised of different asset classes<sup>10</sup> - spreading money among a variety of investments as opposed to investing in just one - creating a more prudent approach to managing risk. The investment mix is uniquely designed to achieve the desired investment return. The selected mutual funds, bonds, stocks, and other investment

<sup>8</sup> Prior to any option trading activity, you will receive the “Characteristics and Risks of Standardized Options” produced by the Chicago Board Options Exchange. It is mutually understood between you and us, that you have read this document prior to engaging us to perform option trading activities. The “Characteristics and Risks of Standardized Options” thoroughly explain the risks and rewards associated with option trading.

<sup>9</sup> The “Portfolio Theory” was developed and introduced by Harry M. Markowitz in his paper “Portfolio Selection” published in 1952 by the *Journal of Finance* while he was working on his PhD doctoral thesis at the University of Chicago. Mr. Markowitz further refined his theory during the latter part of the 1950’s and on into the 70’s. Along the way, his theory became known as the “Modern Portfolio Theory”. Mr. Markowitz won the Nobel Memorial Prize in Economic Sciences in 1990 as a co-laureate along with William Sharpe.

<sup>10</sup> The different asset classes are: Large-Cap U.S. Growth & Income, Large-Cap U.S. Value Stocks; Large-Cap U.S. Growth Stocks; Mid-Cap U.S. Value Stocks; Mid-Cap U.S. Growth Stocks; Small-Cap U.S. Value Stocks; Small-Cap U.S. Growth Stocks; International Stocks; Commodity Funds; Fixed Income, Investment Grade Bonds, High Yield Bonds, Global Bonds, Intermediate Bonds, Multi-Sector Bonds, REITs, and Cash.



vehicles in your investment portfolio are diversified to reflect their risk profile. Typical composition mix classifications:

Asset Allocation Model	Percentage of		
	Stocks	Bonds	Cash
Aggressive/Growth	85% - 100%	0% - 15%	0% - 25%
Moderate Growth	65% - 85%	15% - 35%	0% - 25%
Balanced	50% - 65%	35% - 50%	0% - 25%
Conservative/Preservation of Capital	20% - 50%	50% - 80%	0% - 25%
Fixed/Income	0% - 20%	80% - 100%	0% - 25%

Such allocation guidelines are a representation of a typical account composition but should not be construed as absolute. Ultimately, the exact composition makeup and allocation of securities are determined by your unique investment parameters, which can compose a more detailed and/or complex structure.

## Managing Risk

The biggest risk to you is the risk that the value of your investment portfolio will decrease due to moves in the market. This risk is referred to as the **market risk** factor, which is made up of four primary risks:

- ❖ **Interest Rate Risk** - Interest rate risk affects the value of bonds more than stocks. Essentially, when the interest rate on a bond begins to rise, the value (bond price) begins to drop; and vice versa, when interest rates on a bond fall, the bond value rises.
- ❖ **Equity Risk** - Equity risk is the risk that the value of your stocks will depreciate due to stock market dynamics causing one to lose money.
- ❖ **Currency Risk** - Currency risk is the risk that arises from the change in price of one currency against that of another. Investment values in internationally securities can be affected by changes in exchange rates.
- ❖ **Commodity Risk** - Commodity risk refers to the uncertainties of future market values and the size of future income caused by the fluctuation in the prices of commodities (i.e., grains, metals, food, electricity, etc...).

The risk factors we have cited here are not intended to be an exhaustive list, but are the most common risks your portfolio will encounter. Other risks that we haven't defined could be political, over-concentration, and liquidity to name a few. However notwithstanding these risk factors, the most important thing for you to understand is that regardless of how we analyze securities or the investment strategy and methodology we use to guide us in the management of your investment portfolio, **investing in a security involves a risk of loss that you should be willing and prepared to bear**; and furthermore, **past market performance is no guarantee that you will see equal or better future returns on your investment**.

## DISCIPLINARY INFORMATION

ITEM 9

We have no legal or disciplinary events to report.



## OTHER FINANCIAL INDUSTRY ACTIVITIES & AFFILIATIONS

ITEM 10

### Insurance Company Activities & Affiliations

Mr. Michael D. Rainey and Mr. Wayne F. Randall are licensed as resident life, health, and annuity insurance agent by the State of Florida and may be licensed as non-resident agents in other states. As licensed insurance agents, they will earn commissions from the sale of insurance-related products. This can create a conflict of interest, when acting as a trusted fiduciary to a managed investment portfolio, recommending you purchase an insurance product. This can create a situation of divided loyalty and the objectivity of the advice we render subjective and possibly a disadvantage to you. Therefore, to ensure you understand your options when Mr. Rainey or Mr. Randall approaches you on insurance products, we are providing you the following disclosures:

- ❖ You are under **no obligation to accept** Mr. Rainey's or Mr. Randall's recommendation to purchase insurance related products. You are free to reject their recommendation; or, if you need the insurance, to choose the insurance agency, agent, and insurance company from whom to purchase the insurance. However, keep in mind that if you elect to purchase the insurance, regardless of where, and from whom you purchase it, such person will be entitled to earn a commission.
- ❖ We **do not share in any commissions** earned by Mr. Rainey or Mr. Randall or receive any economic benefit from the independent insurance companies without first notifying you of such possibilities.

For further information on the potential conflicts and economic benefits from these activities, see "Financial Planning Compensation" below under Item 14, "**Client Referrals & Other Compensation**" of this Brochure. In addition, more information about our management persons who offer investment advice and their brokerage and insurance activities can be found in their individual "**Brochure Supplements.**"

## CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS & PERSONAL TRADING

ITEM 11

### Code of Ethics

As a fiduciary, Rainey & Randall has an affirmative duty to render continuous, unbiased investment advice, and at all times act in your best interest. To maintain this ethical responsibility, we have adopted a Code of Ethics that establishes the fundamental principles of conduct and professionalism expected by all personnel in discharging their duties. This Code is a value-laden guide committing such persons to uphold the highest ethical standards, rooted in the most elementary maxim - to do right by others. Our Code of Ethics is designed to deter inappropriate behavior and heighten awareness as to what is right, fair, just and good by promoting:

- ❖ Honest and ethical conduct.
- ❖ Full, fair and accurate disclosure.
- ❖ Compliance with applicable rules and regulations.
- ❖ Reporting of any violation of the Code.
- ❖ Accountability.





To help you understand our ethical culture and standards, how we control sensitive information and what steps have been taken to prevent personnel from abusing their inside position, a copy of our Code of Ethics is available for review upon request.

## Client Transactions

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We have a fiduciary duty to ensure that your welfare is not subordinated to any interests of ours or any of our personnel. The following disclosures are internal guidelines we have adopted to assist us in protecting all of our clientele.

### Participation or Interest

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It is against our policies for any of our personnel to invest with you or with a group of clients, or to advise you or a group of clients to invest in a private business interest or other non-marketable investment unless prior approval has been granted by our Chief Compliance Officer, and such investment is not in violation of any SEC and/or State rules and regulations.

### Class Action Policy

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Rainey & Randall, as a general policy, does not elect to participate in class action lawsuits on your behalf. Rather, such decisions shall remain with you or with an entity you designate. We may assist you in determining whether you should pursue a particular class action lawsuit by assisting with the development of an applicable cost-benefit analysis, for example. However, the final determination of whether to participate, and the completion and tracking of any such related documentation, shall generally rest with you.

## Personal Trading

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Employees of ours are permitted to personally invest their own monies in securities, which may also be, from time to time, recommended to you. Most of the time, such investment purchases are independent of, and not connected in any way to, the investment decisions made on your behalf. However, there may be instances where investment purchases for you may also be made in an employee's account. In these situations we have implemented the following guidelines in order to ensure our fiduciary integrity:

1. No employee acting as an Investment Advisor Representative ("RA"), or who has discretion over your account, shall buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment, unless the information is also available to the investing public on reasonable inquiry. No employee of ours shall prefer his or her own interest to that of yours or any other advisory client.
2. We maintain a list of all securities holdings for all our access employees. Our Chief Compliance Officer reviews these holdings on a regular basis.
3. We require that all employees act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
4. Bunched orders (See "Trading Allocation" above) may include employee accounts. In such cases, priority and advantage will be given to satisfy your order first regardless of the situation.
5. Any individual not in observance of the above may be subject to termination.

Personal trading activities are monitored by our Chief Compliance Officer to ensure that such activities do not impact upon your security or create conflicts of interest.





## BROKERAGE PRACTICES

### Custodial Services

Rainey & Randall has custodial arrangements with Charles Schwab & Company, Inc. ("Schwab"), a licensed broker-dealer (member FINRA/SIPC), through its Schwab Advisor Services to financial advisors. Schwab offers us services, which include: custody of securities, trade execution, clearance and settlement of transactions.

Our recommendation for you to custody your assets with Schwab has no direct correlation to the services we receive from Schwab and the investment advice we offer you, although **we do receive economic benefits for which we do not have to pay** through our relationship with Schwab that are typically not available to Schwab retail clients. This creates an incentive for us to recommend Schwab based on the economic benefits we receive rather than on your interest in receiving most favorable execution. These benefits include the following products and services (provided without cost or at a discount):

- ❖ Receipt of duplicate client statements and confirmations;
- ❖ Research related products and tools; consulting services;
- ❖ Access to a dedicated trading desk;
- ❖ Access to batch trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to accounts);
- ❖ The ability to have advisory fees deducted directly from accounts; access to an electronic communications network for order entry and account information;
- ❖ Access to mutual funds with no transaction fees and to certain institutional money managers;
- ❖ Discounts on compliance, marketing, research, technology, and practice management products or services provided to us by third party vendors; and,
- ❖ Discounted and/or complimentary attendance at conferences, meetings, and other educational events, as well as financial contributions to client entertainment and/or educational seminars.

**We are not a subsidiary of, or an affiliated entity of, Schwab.** We have sole responsibility for investment advice rendered, and our advisory services are provided separately and independently from Schwab.

Schwab may also pay for business consulting and professional services received by our related persons. Some of the products and services made available by Schwab may benefit us and not you or your account. These products or services may assist us in managing and administering your accounts. Other services made available by Schwab are intended to help us manage and further develop our business enterprise. The benefits received by us or our personnel do not depend on the amount of brokerage transactions directed to Schwab.

### Direction of Transactions and Commission Rates (Best Execution)

**We have a fiduciary duty to put your interests before our own.** Schwab's advisory support services create an economic benefit to us and a potential conflict of interest to you; in that, our recommendation to custody your account(s) with Schwab may have been influenced by these arrangements/services. This is not the case; we have select Schwab as the custodian of choice based on:



1. Schwab's competitive transaction charges, trading platform, and on-line services for account administration and operational support.
2. Schwab's general reputation, trading capabilities, investment inventory, their financial strength, and our personal experience working with Schwab staff.

Since we do not recommend, suggest, or make available a selection of custodians other than Schwab, and we have not verified whether their transaction fees are competitive with another custodian, **best execution may not always be achieved**. Therefore, **you do not have to accept our recommendation to use Schwab as your custodian**. However if you elect to use another custodian, **we may not be able to provide you complete institutional services**.

### Aggregating Trade Orders

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Our objective in order execution is to act fairly, impartially, and to take all reasonable steps to obtain the best possible results (known as "best execution") for our clients. Therefore, we will not bunch (aggregate) orders for a block trade unless: (i) the bunching of orders is done for the purpose of achieving best execution; and (ii) no client is systematically advantaged or disadvantaged by bunching the orders.

In consideration of these objectives, we will take into account the unique execution factors of the buy/sell order before bunching accounts for a block trade. A few of those factors are:

- ❖ **Security Trading Volume** - Bunching orders in a block trade can secure price parity and continuity for our clients during heavy trading activity.
- ❖ **Number of Clients** - The fewer the number of client accounts involved in the bunched order may not yield better pricing or order execution; it may be more advantageous to perform an individual market order for each client. In addition preparing individual market orders, for the small number of accounts involved, may be quicker to complete than preparing a bunch order.
- ❖ **Financial Instruments** - The type of security involved as well as the complexity of order can affect our ability to achieve best execution.

## REVIEW OF ACCOUNTS

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ITEM 13

### Portfolio Management Reviews

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Each client account is reviewed on an ongoing basis by the management person in-charge of your account to ensure that your needs and objectives are being met. All accounts are reviewed in the context of your stated investment objectives and guidelines. Cash needs will be adjusted as necessary.

You will receive monthly statements from Schwab where your account(s) are custodied. You are encouraged to review each statement which summarizes the specific investments held, the value of your portfolio and account transactions.

You are also encouraged to review with us investment strategies and account performance on an annual basis. Material changes in your personal circumstances, the general economy, or tax law changes can trigger more frequent reviews. However, **it is your responsibility to communicate these changes to us so that the appropriate adjustments can be made**.



## Financial Planning Reviews

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The management person who has/is designed/designing your financial plan will work closely with you to be sure the action points identified in the financial plan have been or are being properly executed. Once the action points have been completed, the financial plan should be reviewed at least annually. Material changes in your lifestyle choices, personal circumstances, the general economy, or tax law changes can trigger more frequent reviews. However, **it is your responsibility to communicate these changes** to us so that the appropriate adjustments can be made.

## CLIENT REFERRALS & OTHER COMPENSATION

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ITEM 14

### Referral Compensation

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We may directly compensate persons/firms for client referrals, provided that those persons are qualified and have entered a solicitation agreement with us. Under such arrangements, if you were referred to us by a solicitor, the solicitor will provide complete information on our relationship and the compensation that solicitor will receive should you choose to open an account. In no case will the fee that you pay be higher than it would be if you had dealt directly with us. In addition, we will adhere to each State's rules and regulations where the Solicitor resides prior to entering into any solicitation agreement with that person/firm.

### Other Compensation (Indirect Benefit)

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Rainey & Randall receives an indirect economic benefit from Schwab (See "Custodial Services" above under Item 12, "**Brokerage Practices**" for more detailed information on these services and products could be.).

### Financial Planning Compensation

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As previously mentioned, Mr. Michael D. Rainey and Mr. Wayne F. Randall are licensed as commissioned insurance agents (See "Financial Industry Activities & Affiliations" above in Item 10, "**Other Financial Industry Activities & Affiliations**" for more information.). This can create a conflict of interest when recommending for a fee, through a financial plan, that you purchase insurance products where they can also earn a commission.

In addition, there are also potential conflicts of interest when Mr. Rainey and/or Mr. Randall suggest the need for outside consultations and professional services (i.e., attorneys, accountants, brokers, etc.) to implement certain aspects of a financial plan. Even though they do not share in any fees earned by the outside professionals when implementing the financial plan, it does create an incentive on their part to refer your business to only those entities that in turn refer potential clients to us.

In both cases, there is potential for divided loyalty and the objectivity of the advice we render could be subjective and create a disadvantage to you. Therefore, to ensure you understand the choices and risks you have in receiving financial planning along with all other investment recommendations, the following disclosures are provided to assist you with your decisions:

- ❖ Certain aspects of a financial plan may require the assistance of a registered representative of a broker-dealer to execute a transaction. In this situation



regardless of who performs the transaction(s), **such person will be entitled to earn a commission or fee.**

- ❖ If requested by you to implement any insurance recommendations made in the financial plan, Mr. Rainey and/or Mr. Randall will write the policies through those insurance companies in which they are licensed insurance agents. In such cases, **Mr. Rainey and/or Mr. Randall will receive the normal commissions associated with such insurance transactions.**
- ❖ You are under no obligation to have any outside professionals that we recommend prepare planning documents (i.e.; estate, tax, securities trading, etc...). **You are free to choose those outside professionals to implement the recommendations made in the financial plan.**
- ❖ We do not receive any economic benefit from referring you to another professional without first notifying you of such possibilities.

Notwithstanding such potential conflicts of interest, our RAs strive to serve your best interest; as well as, ensuring such disclosure is being properly made to you in compliance with the Investment Adviser Act of 1940, Rule 275.206.

## CUSTODY

ITEM 15

### Management Fee Deduction

We do not take possession of or maintain custody of your funds or securities, but will simply manage the holdings within your portfolio and trade your account based on your stated investment objectives and guidelines. Physical Possession and custody of your funds and/or securities shall be maintained with Schwab as indicated above in Item 12, **“Brokerage Practices.”**

However because you have authorized us deduct our advisory fees directly from your account, we are defined as having custody. Therefore to comply with the Custody Rule (1940 Act Rule 206(4)-2) requirements, we have implemented the required safeguards to protect you as well as protect our advisory practice.

- ❖ Your funds and securities will be maintained with a qualified custodian (Schwab) in a separate account in your name.
- ❖ Schwab will send you monthly brokerage statements summarizing the specific investments currently held in your account, the value of your portfolio, and account transactions.
- ❖ You have given us authorization to withdrawal our management fees directly from your account.

You are encouraged to verify the transaction activities disclosed to you in your brokerage statement from Schwab. If we should elect to send you a report on your account holdings, **we urge you to compare the financial data contained in our report with the financial information disclosed in your account statement from Schwab to verify the accuracy and correctness of our reporting.**



## INVESTMENT DISCRETION

ITEM 16

We execute an Investment Advisory Agreement with you, which set forth our authority to buy and sell securities in whatever amounts are determined to be appropriate for your account at our discretion.

You may, at anytime, impose restrictions, **in writing**, on our discretionary authority (i.e., limit the types/amounts of particular securities purchased for your account, exclude the ability to purchase securities with an inverse relationship to the market, limit our use of leverage, etc.).

## VOTING CLIENT SECURITIES

ITEM 17

**We do not vote client proxies.** You understand and agree that you retain the right to vote all proxies, which are solicited for securities held in your managed accounts. Any proxy solicitations received by the custodian will be immediately forwarded to you for your evaluation and decision.

However, if you have specific questions regarding an action being solicited by the proxy that you do not understand or you want clarification, you may contact us and we will explain the particulars. Keep in mind we will not advise you in a direction to vote, that ultimate decision will be left to you.

## FINANCIAL INFORMATION

ITEM 18

We are not required to include financial information in our Disclosure Brochure since we will not take physical custody of client funds or securities or bill client accounts six (6) months or more in advance for more than \$1,200.

We are not aware of any current financial conditions that are likely to impair our ability to meet our contractual commitments to you. In addition, we have not, nor have any of our officers and directors, been the subject of a bankruptcy petition at any time during the past ten years.

**END OF DISCLOSURE BROCHURE**