

# **SHOBE & ASSOCIATES, INC.**

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## **Firm Brochure Part 2A of Form ADV**

This brochure provides information about the qualifications and business practices of Shobe & Associates, Inc. If you have any questions about the contents of this brochure, please contact Jason Windham, Chief Compliance Officer of Shobe & Associates, Inc. at (225) 763-7010, or by email at: [jwindham@shobe.com](mailto:jwindham@shobe.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 Shobe & Associates, Inc. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). This information may be accessed by entering a firm's unique identifying number, known as a CRD number. The CRD number for Shobe & Associates, Inc. is 114975.

## Item 2 Material Changes

### Annual Update

The Material Changes section of this brochure will be updated annually or when material changes occur since the previous release of the Firm Brochure.

### Material Changes since the Last Update

Since our last annual updating amendment, dated March 10, 2016 we have made the following updates to our disclosure brochure:

- Jason Windham has assumed the role of Chief Compliance officer.
- It is the policy of SAI to credit back to the client account all 12(b)-1 fees in Passport Accounts. RJFS handles this reimbursement.
- We amended our fee disclosure to better reflect our fee maximums that we have been using for some time. Accordingly, our fee disclosure states that Advisory fees for PASSPORT accounts are based on a percentage of the assets in your account and are set forth in the following blended fee schedule:

<b>Account Value</b>	<b>Annual Fee*</b>
First \$200,000	1.75%
Next \$300,000	1.50%
Amounts over \$500,000	1.00%

\*Fees are negotiable. SAI's current fee policy is that annual advisory fees for Passport accounts range from 1.00% to 1.75%. Fees are determined by the size of the account and the nature of the services provided.

### Full Brochure Available

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at: (225) 763-7010 or by email at: [info@shobe.com](mailto:info@shobe.com).

## Item 3 Table Of Contents

Item 1 Cover Page	Page 1
Item 2 Material Changes	Page 2
Annual Update	Page 2
Material Changes since the Last Update	Page 2
Full Brochure Available	Page 2
Item 3 Table Of Contents	Page 3
Item 4 Advisory Business	Page 5
Firm Description	Page 5
Principal Owners	Page 6
Types of Advisory Services	Page 6
Tailored Relationships	Page 6
Types of Agreements	Page 6
Termination of Agreement	Page 7
Item 5 Fees and Compensation	Page 8
Planning and/or Business Consulting Fees	Page 8
Fee Billing	Page 9
Other Fees	Page 9
Asset Management Services	Page 9
Item 6 Performance-Based Fees	Page 15
Sharing of Capital Gains	Page 15
Item 7 Types of Clients	Page 15
Description	Page 15
Account Minimums	Page 15
Item 8 Types of Investments	Page 15
Description	Page 15
Item 9 Methods of Analysis, Investment Strategies and Risk of Loss	Page 15
Methods of Analysis	Page 15
Investment Strategies	Page 16
Risk of Loss	Page 16
Item 10 Disciplinary Information	Page 17
Legal and Disciplinary	Page 17
Item 11 Other Financial Industry Activities and Affiliations	Page 17
Financial Industry Activities	Page 17
Affiliations	Page 17
Item 12 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	Page 18
Code of Ethics	Page 18
Participation or Interest in Client Transactions and Personal Trading	Page 18
Item 13 Brokerage Practices	Page 18
Selecting Brokerage Firms	Page 18
Best Execution	Page 18
Soft Dollars	Page 19
Order Aggregation	Page 19
Item 14 Review of Accounts	Page 19
Periodic Reviews	Page 19

Review Triggers	Page 19
Regular Reports	Page 19
Item 15 Custody	Page 19
Account Statements	Page 19
Item 16 Investment Discretion	Page 20
Discretionary Authority for Trading	Page 20
Item 17 Voting Client Securities	Page 20
Proxy Votes	Page 20
Item 18 Financial Information	Page 20
Financial Condition	Page 20
Item 19 Business Continuity Plan	Page 20
General	Page 20
Disasters	Page 20
Alternate Offices	Page 20
Loss of Key Personnel	Page 21
Item 20 Information Security Program	Page 21
Information Security	Page 21
Privacy Notice	Page 21

## **Item 4 Advisory Business**

### **Firm Description**

Shobe & Associates, Inc. (SAI) was founded in 1983, formed under the laws of the State of Louisiana, is registered with the Securities and Exchange Commission (SEC), and is one of the oldest independent registered investment advisory (RIA) firms located in Baton Rouge, LA. The fiscal year for the firm runs from January 1 through December 31.

SAI offers personalized confidential investment advisory services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and other business entities. Individuals associated with SAI will provide its investment advisory services. These individuals are appropriately licensed, qualified and authorized to provide advisory services on behalf of SAI. Such individuals are known as Investment Adviser Representatives (IARs).

Advice is provided through consultation with the client and may include: determination of financial objectives, identification of financial problems, cash flow management, insurance review, investment management, education funding, retirement planning, and estate planning.

Investment advice is provided, with the client making the final decision on investment selection. SAI does not act as a custodian of client assets. The client always maintains asset control. Some of the people associated with SAI are also registered representatives of Raymond James Financial Services, Inc. (RJFS), a licensed full service securities broker/dealer, and as such, may place trades for clients on a discretionary or non-discretionary basis.

For most planning clients, a written evaluation of each client's initial situation is provided to the client, often in the form of a net worth statement. Periodic reviews are also communicated to provide reminders of the specific courses of action that need to be taken. SAI uses a "Roadmap", an actual client specific document, to track this course of action on a 24 month basis. Additionally, the client is provided with a consolidated report, the Account Summary Report (ASR), which encompasses information on all client accounts, both with RJFS and outside of RJFS, and all other financial information.

Other professionals (e.g., lawyers, accountants, insurance agents, etc.) are engaged directly by the client on an as-needed basis. Conflicts of interest will be disclosed to the client in the unlikely event they should occur.

The initial consultation is free of charge and is considered an exploratory interview to determine the extent to which financial planning and investment management may be beneficial to the client. If it is the desire of the client to retain SAI's services, the firm and the client enter into a Financial Advisory Agreement.

## Principal Owners

Stockholders of SAI are:

Edward Louis Shobe, Chairman of the Board	70% or more
Jason Peter Windham, President	5% to 10%
Susan Shobe Windham, Vice President	5% to 10%

## Types of Advisory Services

SAI provides investment supervisory services, also known as asset management services, manages investment advisory accounts not involving investment supervisory services and furnishes investment advice through consultations.

On more than an occasional basis, SAI furnishes advice to clients on matters not involving securities, such as financial planning matters and trust services that often include estate planning.

As of February 7, 2017, SAI manages approximately \$214 million in assets for approximately 147 clients. Of this, approximately \$168.8 million is managed on a discretionary basis, and approximately \$45.5 million is managed on a non-discretionary basis.

## Tailored Relationships

SAI engages in broad-based and modular financial planning. The goals and objectives for each client are documented in our client relationship management system. The client may elect to have SAI prepare a financial plan for a set fee and then manage the client's assets under any one of a number of asset management programs. Some clients may only require advice on a single aspect of the management of their financial resources. For these clients, SAI offers financial plans and/or general consulting services in a format that addresses only those specific areas of interest or concern, depending on the individual client's unique circumstances.

## Types of Agreements

The following agreements define the typical client relationships:

### Comprehensive Financial Planning or Retirement Planning Agreement

In a *Comprehensive Financial Plan*, your IAR will collect the pertinent data, conduct personal interviews with the client, and present a comprehensive written financial plan to the client. For these services, the client will pay SAI an annual fee. A comprehensive financial plan is designed to help the client with all aspects of financial planning without ongoing investment management after the financial plan is completed.

The financial plan may include, but is not limited to: a net worth statement; a cash flow statement; a review of investment accounts, including reviewing asset allocation and providing repositioning recommendations; a review of retirement accounts and plans including recommendations; a review of insurance policies and recommendations for changes, if necessary; one or more retirement scenarios; estate planning review and recommendations; and education planning with funding recommendations.

Investment advice and recommendations are provided as part of a financial plan. Implementation of the recommendations is at the discretion of the client.

In a *Retirement Planning Agreement*, your IAR will collect the pertinent data, conduct personal interviews with the client, and present a written retirement plan to the client. For these services, the client will pay SAI an annual fee.

### Business Consultation Agreement

SAI will provide financial consulting based on needs of business owners. For these services, the client will pay either hourly fees, depending on the expertise level of the staff required, or an annual flat fee.

Business ownership has wide ranging implications and the firm will assist the client in addressing many issues that may arise pursuant to such ownership. This service usually involves a partnership, limited liability company, corporation or other business entity, living trust, and/or private foundation. The service typically involves strategic recommendations, assisting business owners in structuring an acquisition, merger, or disposition, negotiations with vendors, consultations with outside advisers, and assisting with all relevant issues as they arise.

### Investment Consultation Agreement (for Non-RJFS Custodied Retirement Plans)

SAI will consult with the client about investment options available in the plan and assist in making appropriate selections based on Asset Allocation decisions. For this service, the client will pay SAI a fee based on the market value of investment assets in the plan calculated and billed quarterly.

SAI provides non-discretionary investment recommendation and consulting services to clients with regard to retirement plan assets held away from RJFS. Such services may include a risk tolerance assessment, asset allocation recommendations, management and/or monitoring of a participant's investments in a 401(K), 403(B), 457 or other type of retirement plan held outside of RJFS. SAI may assist clients in identifying categories of mutual funds, government securities and money managers which are suitable based on a client's profile including investment objectives and risk tolerance. SAI will not affect any transactions in conjunction with the advice and/or recommendations given. Clients will be responsible for implementing any trade orders. SAI may receive duplicate account statements from the client's broker and monitor the client's account on a periodic basis to ensure the account remains aligned with stated financial objectives. The client is free at all times to accept or reject any investment recommendations from SAI. SAI will provide this service exclusively to clients with assets held away from RJFS.

### Asset Management

Assets are invested primarily in no-load or low-load mutual funds and exchange-traded funds through RJFS. Fund companies charge an investment management fee that is disclosed in the fund prospectus.

RJFS charges a fee for stock and bond trades.

Investments may also include: equities (stocks), corporate debt securities, certificates of deposit, municipal securities, investment company securities (variable life insurance, variable annuities, and mutual funds shares), U. S. government securities, options contracts, and interests in partnerships.

Initial public offerings (IPOs) are not available through SAI.

### **Termination of Agreement**

SAI or the client may terminate the Financial Advisory Agreement for any of the aforementioned services within five business days of the date of acceptance without penalty to the client. After the five-day period, either party may terminate the Agreement by providing 30 days written notice to the other party. The client may incur a charge for services rendered prior to such termination. In the event the Agreement is terminated during a calendar quarter, SAI will refund a pro-rata portion of fees paid in advance for the quarter.

## Item 5 Fees and Compensation

### Planning and/or Business Consulting Fees

Planning and consulting fees are determined once the scope of the planning or consulting has been agreed upon. The final fee, subject to negotiation, is directly dependent upon the facts and circumstances of the client's financial situation and the complexity of the service(s) requested.

SAI generally charges a fixed fee for its planning services. Fixed fees typically start at \$2,400 for retirement only or limited planning and \$4,000 for broad-based planning service. The fee is predicated upon the facts known at the start of the engagement and will be disclosed and agreed upon in advance of any service being performed. Since financial planning is a discovery process, situations occur wherein the client is unaware of certain financial exposures or predicaments. Any additional services not included in the quoted services will be billed at our prevailing hourly rates or a new Financial Advisory Agreement will supersede the original agreement. All fluctuating fees or fees for additional services are discussed in the agreement.

Where the scope and complexity of the client's financial situation require additional time and resources outside the scale of the previously described services, SAI will provide a fee estimate after thoroughly assessing the magnitude and scope of the client's personal finances, business or economic environment, goals and objectives. Such circumstances generally involve high net worth clients and/or clients with complex business planning and structuring needs.

Generally, fees for business consulting services are based on an estimate of the hours necessary to complete the engaged services. An estimate of the total time/cost will be determined at the start of the advisory relationship and disclosed to the client at that time. Applicable fees, fee payment arrangements, and the terms of the engagement will be clearly set forth in the Advisory Agreement executed between SAI and the client prior to the services being rendered. For its business consulting services as it relates to a client's sale of their business through a business broker, SAI may charge or participate in fees for the sale of the business. The fees for such service may be hourly or may be negotiated as a percentage or portion of the business broker's commission.

**Investment Consultation** services may be provided when a planning agreement is not provided as part of the relationship. Fees for investment consultation for retirement plans held away from RJFS are billed quarterly in advance based on the market value of the assets on the last day of the previous billing period. SAI will either invoice the client directly or the custodian will deduct the client's account directly provided the client supplies written authorization permitting the fees to be paid directly from the account. The client is encouraged to review all account statements for accuracy. Fees will be assessed pro-rata in the event the advisory agreement is executed at any time other than the first day of a billing period.

The fee is calculated as follows and is billed quarterly:

.8%	\$0 to \$200,000
.7%	\$200,001 to \$500,000
.6%	\$500,001 to \$1,000,000
.5%	\$1,000,001 to \$2,000,000
Over	\$2,000,000 negotiable



## **Fee Billing**

Generally, SAI requires that the client pay the fee in advance on a quarterly basis. However, in special circumstances, other fee-paying arrangements may be negotiated. In either case, services to be provided, the applicable fee, and fee paying arrangements are agreed upon in advance of services rendered, and will be clearly set forth in the executed Financial Advisory Agreement.

In no circumstance will SAI require prepayment of a fee more than six months in advance and in excess of \$1,200.

Payment in full is expected upon invoice presentation. Fees are sometimes deducted from a designated client account to facilitate billing. The client must consent in advance to direct debiting of their investment account.

## **Other Fees**

Custodians may charge transaction fees on purchases or sales of certain mutual funds and exchange-traded funds. These transaction charges are usually small and incidental to the purchase or sale of a security. The selection of the security is more important than the fee that the custodian charges to buy or sell the security. It is the policy of SAI to credit back to the client account all 12(b)-1 fees in Passport Accounts. RJFS handles this reimbursement.

SAI, in its sole discretion, may waive its minimum fee and/or charge a lesser investment advisory fee based upon certain criteria (e.g., historical relationship, type of assets, anticipated future earning capacity, anticipated future additional assets, dollar amounts of assets to be managed, related accounts, account composition, negotiations with clients, etc.).

New Advisory Service Agreement fees are calculated on a formula basis and adjusted for complexity of individual situations. The formula is based on gross income, gross assets and other financial considerations.

SAI does not pay referral fees for soliciting advisory clients.

## **Asset Management Services**

SAI provides investment advisory supervisory services under the following programs.

### **PASSPORT**

The PASSPORT account is an investment advisory account, administered by Raymond James & Associates (RJA), which offers clients, on a non-discretionary basis (or discretionary, provided certain qualifications are met), the ability to pay an advisory fee on the assets in their account and a nominal transaction charge in lieu of a commission for each transaction. There is a minimum investment of \$25,000 for PASSPORT accounts, although smaller accounts may be accepted based upon the specific circumstances of an account.

Advisory fees for PASSPORT accounts are based on a percentage of the assets in your account and are set forth in the following blended fee schedule:

<b>Account Value</b>	<b>Annual Fee*</b>
First \$200,000	1.75%
Next \$300,000	1.50%
Amounts over \$500,000	1.00%

\*Fees are negotiable. SAI's current fee policy is that annual advisory fees for Passport accounts range from 1.00% to 1.75%. Fees are determined by the size of the account and the nature of the services provided.

The annual asset-based fee is paid quarterly in advance. When an account is opened, the asset-based fee is billed for the remainder of the current billing period and is based on the initial contribution. Thereafter, the quarterly asset-based fee is paid in advance, is based on the account asset value as of the last business day of the previous calendar quarter, and becomes due the following business day. If cash or securities, or a combination thereof, amounting to at least \$100,000, are deposited to or withdrawn from a client's account on an individual business day in the first two months of the quarter, Raymond James will: (i) assess asset-based fees based on the value of the assets on the date of deposit for the pro-rata number of days remaining in the quarter, or (ii) refund prepaid asset-based fees based on the value of the assets on the date of withdrawal for the pro-rata number of days remaining in the quarter. No additional asset-based fees or adjustments to previously assessed asset-based fees will be made in connection with deposits or withdrawals that occur during the last month of the quarter unless requested by the client. Notwithstanding the above \$100,000 adjustment threshold, Raymond James reserves the right, in its sole discretion, to process or not process fee adjustments when the source and destination of deposits and withdrawals involve a client's other fee-based advisory accounts. For example, a transfer of \$100,000 into a joint RJCS account funded from two \$50,000 withdrawals from two separate Passport accounts will have the \$100,000 billed in their joint RJCS account and each of the Passport accounts will be refunded previously assessed fees on the separate \$50,000 withdrawals for the period remaining in the quarter.

Participants in the PASSPORT program may be entitled to a discounted asset-based fee if they maintain one or more related accounts within these programs.

Related accounts are accounts of an individual, his or her spouse, and their children under the age of twenty-one. The term includes individually owned accounts, individual retirement accounts (IRAs), self-directed accounts (i.e., directed by individual participants) under an employee benefit plan (ERISA plan) and ERISA plan accounts in which an individual is the sole participant. Thus, related accounts in the PASSPORT programs may be aggregated for advisory fee purposes so that each account will pay a fee which is calculated on the basis of the total of all related accounts. It is the client's responsibility to identify all related accounts for purposes of qualifying for an aggregated account fee discount. While RJFSA may attempt to identify related accounts, it shall not be held responsible for failing to consider any related account not listed by the client.

The client authorizes and directs RJA as custodian to deduct asset-based fees from the client's account; client further authorizes and directs the custodian to send a quarterly statement to the client which shows all amounts disbursed from the client's account, including fees paid to SAI. The client understands that the brokerage statement will show the amount of the asset-based fee, the value of the assets on which the fee was based, and the specific manner in which the fee was calculated.

Additionally, there is a processing fee for the execution of each trade, as follows:

<b>SECURITY TYPE</b>	<b>PROCESSING FEE</b>
Exchange Traded Equities: Listed and OTC	\$ 9.95
Closed End and Exchange Traded Funds	\$ 9.95
Open End Mutual Funds (applicable to purchases Only)*	
Participating Funds	Waived
Partner Funds	\$30.00

Non-Partner Funds	\$40.00
Real Estate Investment Trusts/Unit Investment Trusts	\$ 9.95
Options Contracts	\$30.00
Bonds: Government, Corporate, Municipal and Mortgage-Backed	\$30.00

\*Select fund companies have agreed to pay administrative fees to Raymond James in consideration for Raymond James' waiver of the \$30 Processing Fee assessed on certain Passport Account mutual fund purchases ("Participating Funds"). "Non-Partner Funds" do not participate in Raymond James' Education and Marketing Support program. The above Processing Fees will be applied to purchases of Partner and Non-Partner Funds. ERISA Plan and SIMPLE IRA accounts will be charged \$30 for Partner and Non-Partner Fund purchases. Please note that funds may change their Participating, Partner or Non-Partner status at any time, so please consult with your financial advisor to verify their status periodically. Please contact SAI by phone, email or written request for additional information regarding Participating Funds and Partner Funds

In addition to the foregoing transaction charge, the client may incur a charge in the amount of \$5.95 per transaction for handling charges. The client may also incur charges for other account services provided by RJA not directly related to the execution and clearing of transactions including, but not limited to, IRA custodial fees, safekeeping fees, interest charges on margin loans, and fees for legal or courtesy transfers of securities.

### **Selection of Other Advisers**

We may recommend that you use the services of a third party money manager ("MM") to manage all, or a portion of, your investment portfolio. Those advisory programs are described below.

### **Freedom**

The Freedom Account is an investment advisory account which allocates your assets, through discretionary mutual fund or exchange traded fund ("ETF") management, based upon your financial objectives and risk tolerances. You appoint RJA as your investment adviser to select the representative funds and monitor their performance on a continuing basis. SAI will receive a portion of the fee for services provided under the agreement. For further information refer to the RJA Wrap Fee Program Brochure.

### **RJCS**

You appoint RJA, as adviser, to select certain portfolio managers, monitor performance of your account, provide you with accounting and other administrative services, and assist portfolio managers with certain trading activities. Based upon your financial needs and investment objectives, your IAR may assist you in selection an appropriate manager(s). SAI will receive a portion of the fee. For further information refer to the RJA Wrap Fee Program Brochure.

### **Wrap Fee Disclosures**

The structure and nature of the various program (RJCS, Freedom and Passport) are considered to be wrap fee type programs in that commissions are not charged. The client fee is paying for custody, trades, management expertise and reporting in a bundled format.

A client's total cost for the services provided through these programs could be different if purchased separately. Cost factors may include the client's ability to:

- Obtain the services provided within the programs separately with respect to the selection of mutual funds,
- Invest and rebalance the selected mutual funds without the payment of a sales charge, and
- Obtain performance reporting comparable to those provided within each program.

When comparing costs, the combination of multiple mutual fund investments, advisory services, custodial and brokerage services available through each program may not be available separately. Clients may be required to have multiple accounts, sign numerous documents and incur various fees. If an account is not actively traded or the client qualifies for reduced sales charges, the fees in these programs may be more expensive than if utilized separately.

SAI may have a financial incentive to recommend a fee-based advisory program rather than having client's pay separately for investment advisory services, brokerage, performance reporting and other services. A portion of the annual fee charged in fee based programs is paid to SAI. This may be more than what would be received under an alternative program or if these services were paid for separately. SAI may have a financial incentive to recommend a particular account program over another.

SAI believes the charges and fees offered within each fee-based program are competitive and reasonable when compared to alternative programs available through other firms and/or investment sources. However, SAI makes no guarantee that the aggregate cost of a particular program is lower than that which may be available elsewhere.

## **OTHER COMPENSATION CONSIDERATIONS**

### **Administrative-Only Assets**

Certain securities may be held in the client's PASSPORT account and designated "Administrative-Only" assets. Such assets will not be assessed the standard advisory fee.

Administrative-Only assets will, however, be included in the account value when calculating applicable asset-based advisory fee rates. For example, a client whose Passport Account Value is \$500,000 and is comprised of \$50,000 of Administrative-Only assets will have the asset based fee rate assessed based on a \$550,00 Account Value, however, this rate will only be assessed to \$500,000 of the eligible assets in the account, as follows:

First \$500,000 in assets charged at 2.25%  
 Next \$50,000 in assets charged at 1.75% = \$12,125 annualized fee (2.20% annualized rate)  
 \$550,000 less \$50,000 of Administrative-Only assets x 2.20% = \$11,000 ann. Fee  
 (\$11,000 / \$550,000 = 2.00% overall annualized rate on total Account Value)

### **Billing on Cash Balances**

Advisory fees are generally assessed on cash sweep balances ("cash") held in PASSPORT accounts, provided the cash balance does not exceed 20% of the total Account Value at the time of billing. If the cash balance is greater than 20% of the Account Value as of the last business day of the quarter, billing will be on the full cash balance provided cash did not comprise greater than 20% of the billable Account Value for three consecutive quarterly valuation dates. Otherwise, the balance in excess of 20% will be excluded from the billable Account Value. This fee billing provision (or "Cash Rule") is intended to equitably assess advisory fees to your assets for which an ongoing advisory service is being provided, and the exclusion of excess cash from the advisory fee is intended to benefit your holding substantial cash balances (as a percentage of the total individual account) for an extended period of time. However, this provision may pose a financial disincentive to us, as cash will not be included in the asset-based fee charged to the account.

The aforementioned Cash Rule is applicable only to cash sweep balances and, therefore, non-sweep money market investments would not result in excess "cash" balances being excluded from the asset-based advisory fee calculation. As a result, non-sweep money market mutual fund investments are generally prohibited as an investment option in fee-based accounts. However, certain money market mutual funds may be approved as an investment option, but will be designated as Administrative-Only assets as long as those investments are held in a fee-based account. Neither RJFSA nor SAI will receive fee-based compensation on these investments, but may receive compensation in the form of a 12(b)-1 fee or trail. Please contact your advisory representative for additional information.

### **Investment of Cash Reserves**

Raymond James has established a system in which cash reserves "sweep" daily to and from your investment account to cover purchases or to allow excess cash balances to immediately begin earning interest, subject to certain minimum balances. The account in which these cash reserves are held is considered your sweep account. Available sweep options include the Raymond James Bank Deposit Program ("RJBDP"), the Client Interest Program ("CIP") sponsored by Raymond James, and a proprietary class of money market funds (the "Eagle Class - JP Morgan Money Market Funds") of the JP Morgan Prime Money Market Fund and JP Morgan Tax Free Money Market Fund, managed by J.P. Morgan Investment Management, Inc. ("J.P. Morgan") and offered by Eagle. You may select RJBDP, CIP, the Eagle Class - JP Morgan Money Market Funds, or any combination thereof.

With respect to cash reserves of advisory client accounts, the custodian of the account assets will determine where cash reserves are held. The custodian may offer one or multiple options to different account types (such as non-taxable and managed accounts). In addition, the custodian may, among other things consider terms and conditions, risks and features, conflicts of interest, current interest rates, the manner by which future interest rates will be determined, and the nature and extent of insurance coverage (such as deposit protection from the Federal Deposit Insurance Corporation ("FDIC") and the Securities Investor Protection Corporation ("SIPC")). The custodian may change an investment option at any time by providing the client with thirty (30) days advance written notice of such change, modification or amendment.

Clients selecting the RJBDP option are responsible for monitoring the total amount of deposits held at each Bank in order to determine the extent of FDIC insurance coverage available. Raymond James is not responsible for any insured or uninsured portion of client deposits at any of the Banks.

Where an unaffiliated third party acts as custodian of account assets, the client and/or the custodian will determine where cash reserves are held.

Cash balances arising from the sale of securities, redemptions of debt securities, dividend and interest payments and funds received from customer are transferred automatically on a daily basis to the client's cash sweep account. When securities are sold, funds are deposited on the day after settlement date. Funds placed in a client's account by personal check usually will not be transferred to the sweep account until the second business day following the day that the deposit is credited to the client's account. Due to the foregoing practices, RJA may obtain federal funds prior to the date that deposits are credited to client accounts and thus may realize some benefit because of the delay in transferring such funds to their interest-bearing sweep account.

For further information, please refer to "The Raymond James Cash Sweep Programs" brochure, a copy of which is available from your IAR, or you may visit the Raymond James public website: [http://www.raymondjames.com/cash\\_sweep.htm](http://www.raymondjames.com/cash_sweep.htm).

**ADDITIONAL EXPENSES NOT INCLUDED IN THE ASSET-BASED ADVISORY FEE**

You may also incur charges for other account services provided by Raymond James not directly related to the advisory, execution, and clearing services provided including, but not limited to, IRA custodial fees, safekeeping fees, charges/interest for maintenance of margin and/or short positions, and fees for legal or courtesy transfers of securities. For a complete list of account service charges, please visit Raymond James's public website:

[http://www.raymondjames.com/services\\_and\\_charges.htm](http://www.raymondjames.com/services_and_charges.htm) (Client Account Services and Charges).

Certain open-end mutual funds that may be acquired by you, may, in addition to assessing management fees, internally assess a distribution fee pursuant to section 12(b)-1 of the Investment Company Act of 1940, or an administrative or service fee ("trail"). Trails are included in the calculation of operating expenses of a mutual fund and are disclosed in the fund prospectus. Your IAR may receive trails in addition to any advisory fee that may be assessed in your account. The existence of a 12(b)-1 fee is disclosed in the mutual fund prospectus. You should understand that the annual advisory fees charged in the Passport program are in addition to the management fees and operating expenses charged by open-end, closed-end and exchange-traded funds. To the extent that you intend to hold fund shares for an extended period of time, it may be more economical for you to purchase fund shares outside of these programs. You may be able to purchase mutual funds directly from their respective fund families without incurring the Registrant's advisory fee or, where applicable, processing and handling fees. When purchasing directly from fund families, you may incur a front or back-end sales charge. You should also understand that the shares of certain mutual funds offered in these programs may impose short-term trading charges (typically 1%-2% of the amount originally invested) for redemptions generally made within short periods of time. These short-term charges are imposed by the funds (and not RJFSA) to deter "market timers" who trade actively in fund shares. You should consider these short-term trading charges when selecting the program and/or mutual funds in which they invest. These charges, as well as operating expenses and management fees, may increase the overall cost to you by 1%-2% (or more). More information is available in each fund's prospectus.

You should be aware that exchange traded funds ("ETFs") incur a separate management fee, typically 0.20%-0.40% of the fund's assets annually (although individual ETFs may have higher or lower expense ratios), which is assessed by the fund directly and not by RJFSA. This management fee is in addition to the ongoing advisory fee assessed by RJFSA, and will generally result in clients which utilize a Separately Managed Account Investment Strategy that invests in ETFs paying more than clients utilizing one that does not invest in ETFs, without taking into effect negotiated asset-based fee discounts, if any. Certain ETFs may be classified as partnerships for U.S. federal income tax purposes, which may result in unique tax treatment, including Schedule K-1 reporting. Prospective or existing RJCS, Freedom clients should consult their tax adviser for additional information regarding the tax consequences associated with the purchase, ownership and disposition of such investments. Additional information is also available in the ETF prospectus, which is available upon request.

You should be aware that only those mutual fund companies which RJFS has a selling agreement with will be available for purchase within the Passport program, and are generally limited to those fund companies that provide RJFS and its affiliates marketing service and support fees. As a result, not all mutual funds available to the investing public will be available for investment. However, RJFS has selling agreements with over 300 fund companies, offering over 9,000 separate mutual funds for potential investment.

## **Item 6 Performance-Based Fees**

### **Sharing of Capital Gains**

Fees are not based on a share of the capital gains or capital appreciation of managed securities.

SAI does not use a performance-based fee structure because of the potential conflict of interest.

## **Item 7 Types of Clients**

### **Description**

SAI may provide investment advice to individuals, investment companies, pension and profit sharing plans, trusts, estates, or charitable organization and corporations or business entities. Client relationships vary in scope and length of service.

### **Account Minimums**

SAI generally imposes a minimum of \$50,000 to open and maintain an advisory account, which SAI may waive or lower in its sole discretion. SAI may also, in its discretion, household client accounts to meet the stated minimum.

## **Item 8 Types of Investments**

### **Description**

SAI offers advice on Equity securities, including exchange-listed securities, those traded over-the-counter and foreign issues; on Corporate debt securities; CD's; Municipal securities; and Investment company securities, including variable life insurance, variable annuities and mutual fund shares. Additionally, SAI offers advice on U.S. government securities and occasionally on securities options contracts.

SAI reserves the right to advise clients on any other type of investment that it deems appropriate based on the client's stated goals and objectives. SAI may also provide advice on any investment held in a client's portfolio at the inception of the advisory relationship or any investment on which the client requests advice.

## **Item 9 Methods of Analysis, Investment Strategies and Risk of Loss**

### **Methods of Analysis**

Investment strategies and advice may vary depending upon each client's specific financial situation. As such, SAI determines investments and allocations based upon each client's predefined objectives, risk tolerance, time horizon, financial horizon, financial information, liquidity needs and other various suitability factors. Client restrictions and guidelines may affect the composition of the portfolio.

The main sources of information include financial newspapers and magazines, research materials prepared by others, corporate rating services, annual reports, prospectuses, filings with the Securities and Exchange Commission, and company press releases.

Other sources of information that SAI may use include industry seminars and conferences, communications with other planners and professionals that provide financial and advisory services and extensive research and reference on the internet such as Morningstar Principia mutual fund information and Morningstar Principia stock information.

SAI does not represent, warrant or imply that the services or methods of analysis employed by the Firm can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines.

### **Investment Strategies**

The primary investment strategy used on client accounts is a globally diversified portfolio, typically utilizing individual securities, ETFs, Open-End Mutual Funds, and/or Closed-End Mutual Funds.

The investment strategy for a specific client is based upon the objectives stated by the client during consultations. The client may change these objectives at any time.

Other strategies may include long-term purchases, short-term purchases, margin transactions, and option writing (including covered options, uncovered options or spreading strategies) and dollar cost averaging.

### **Risk of Loss**

All investment programs have certain risks that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks:

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.



## **Item 10 Disciplinary Information**

### **Legal and Disciplinary**

There are no legal or disciplinary events to disclose.

## **Item 11 Other Financial Industry Activities and Affiliations**

### **Financial Industry Activities**

Certain personnel of SAI and Financial Benefits, Inc., a related company, are licensed to sell life, health, disability and annuity insurance products and may receive compensation for the sale of such products. The client is under no obligation to purchase insurance products through any employee or Raymond James Financial Services, Inc. and is free to choose the sources through which to implement investment advisory recommendations. The time spent by SAI employees in such capacities varies from individual to individual.

### **Affiliations**

SAI is engaged in the marketing and teaching of financial education programs for companies through The EDSA Group. For these services, SAI is paid a fee by the company. Several programs are available and may include the following topics: goal setting, organizing financial data, cash flow, taxes, retirement, company benefits, education funding, insurance, investments, estate planning and 401(k) utilization. All sessions are educational and involve generic examples.

Insurance advisory services for non-commissionable life insurance products on a fee basis may also be provided. The client pays a fee to SAI for the analysis and implementation of life insurance products not available through traditional channels. These arrangements are fully disclosed to the client in writing.

Certain personnel of SAI are Registered Principals and Registered Representatives, licensed to sell securities through Raymond James Financial Services, Inc., member FINRA/SIPC, a securities broker/dealer. RJFS is a wholly owned subsidiary of Raymond James Financial, Inc. RJFS clears its securities transactions on a fully disclosed basis through Raymond James & Associates, Inc. (member NYSE), which is also a wholly owned subsidiary of Raymond James Financial, Inc. In this capacity, these individuals are involved in the sale of securities of various types, including, but not limited to stocks, bonds, non-registered alternative investments and mutual funds. These individuals will receive normal and customary commissions as a result of securities transactions. In addition, they could receive commissions as a result of selling and servicing insurance products offered by various insurance carriers.

Receipt of commissions could present a conflict of interest because persons providing advice on behalf of SAI may have an incentive to recommend investment or insurance products based on the compensation, however, we endeavor, at all times, to place the client's interests first when making recommendations regarding insurance and investments. Moreover, the client is under no obligation, contractually or otherwise, to purchase securities products and/or insurance products through any person affiliated with our firm.

SAI is solely responsible for investment advice rendered. Advisory services are provided separately and independently of the broker/dealer.

## **Item 12 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

### **Code of Ethics**

We strive to comply with applicable laws and regulations governing our practices. Therefore, our Code of Ethics includes guidelines for professional standards of conduct for persons associated with our firm. Our goal is to protect your interests at all times and to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing with you. All persons associated with our firm are expected to adhere strictly to these guidelines. Persons associated with our firm are also required to report any violations of our Code of Ethics. Additionally, we maintain and enforce written policies reasonably designed to prevent the misuse or dissemination of material, non-public information about you or your account holdings by persons associated with our firm.

Clients or prospective clients may obtain a copy of our Code of Ethics by contacting us at the telephone number on the cover page of this brochure.

### **Participation or Interest in Client Transactions and Personal Trading**

From time to time, SAI or its associates may buy or sell securities that are recommended to its clients or securities in which its clients are invested. These associates do not solicit one another or other clients to participate in such investments. It is SAI's policy that our associates do not have priority over any client account in the purchase or sale of securities. Our associates must comply with the provisions of the SAI Compliance Manual and Code of Ethics.

## **Item 13 Brokerage Practices**

### **Selecting Brokerage Firms**

IARs are Registered Representatives of Raymond James Financial Services, Inc. (RJFS) and will recommend RJFS to advisory clients for plan implementation and brokerage services. Registered Representatives are subject to FINRA Conduct Rule 3040 that restricts them from conducting securities transactions away from RJFS, the broker/dealer with which they are affiliated. This relationship must be, and is, always disclosed to our clients. Implementation of the financial plan through these registered representatives could present a conflict of interest to the extent that these individuals would receive normal and customary commissions as Registered Representatives of RJFS or as licensed insurance agents resulting from any securities or insurance transactions.

It may be the case that RJFS charges a higher fee than another broker/dealer charges for a particular type of service. Clients may utilize the broker/dealer of their choice and have no obligation to purchase or sell securities through RJFS.

### **Best Execution**

RJFS has systems in place to review client trades on a daily basis to help assure the best possible execution of these transactions, including timely execution, clearance and settlement capabilities that are quite competitive within the industry. RJFS provides resources for error resolution, provides trade confirmations and easily understood client statements. In the event of a trade error that creates a profit, the profit always goes to the client. In the event of a trade error that creates a loss, the client is always made whole.

SAI has a due diligence system in place whereby, on a periodic basis, key members of SAI who are involved in the order placement and execution process, perform an analysis of RJFS execution based on a number of qualitative factors in comparison to that of other broker-dealers. A comparison of fees charged by RJFS, based on categories including (1) Retirement account fees; (2) Outgoing Wire fees; (3) Check Disbursement fees, both standard and overnight; (4) Outgoing Transfer fees; (5) Equities, ETFs, Closed-end Fund transaction fees; (6) Fixed Income, Mutual Funds, Options, UITs by transaction; and (7) Maximum Advisory Account fees, are compared with those same fees charged by at least two other broker-dealers. Additionally, a Best Execution Evaluation checklist is completed, rating RJFS best execution against other broker-dealers.

### **Soft Dollars**

SAI and its affiliated IARs have no soft dollar arrangements.

### **Order Aggregation**

We currently do not combine or aggregate multiple orders for shares of the same securities purchased for advisory accounts we manage because we invest primarily in Mutual Funds. Mutual Fund transactions are executed at the next available net asset value, which is calculated after the market closes.

## **Item 14 Review of Accounts**

### **Periodic Reviews**

Account reviews are performed systematically by advisors and are performed more frequently when market conditions dictate.

### **Review Triggers**

Other conditions that may trigger a review are changes in the tax laws, new investment information, and changes in a client's own situation.

### **Regular Reports**

Account reviewers are members of SAI's Investment Committee. They are instructed to consider the client's current security positions and the likelihood that the performance of each security will contribute to the investment objectives of the client.

Clients receive periodic communications on at least an annual basis, but generally these communications are more frequent. Account Summary Reports (ASRs) are updated and provided to Financial Advisory clients. The written updates may include a net worth statement, portfolio statement, and a summary of objectives and progress towards meeting those objectives.

## **Item 15 Custody**

### **Account Statements**

SAI does not custody client assets. All assets are held at qualified custodians. This means the custodians provide account statements directly to clients.

## **Item 16 Investment Discretion**

### **Discretionary Authority for Trading**

SAI accepts discretionary authority from its clients, in writing, to manage securities accounts on their behalf. With this authority, SAI may determine, without obtaining specific client consent, the securities to be bought or sold, and the amount of the securities to be bought or sold. If discretionary authority has not been given, SAI consults with the client prior to each trade to obtain concurrence.

Discretionary trades are placed through RJFS. SAI does not receive any portion of the transaction fees or commissions paid by the client to the custodian on trades.

Discretionary trading authority facilitates placing trades in accounts on behalf of clients so that the approved investment policy may be implemented promptly.

## **Item 17 Voting Client Securities**

### **Proxy Votes**

SAI does not vote proxies on securities. Clients are expected to vote their own proxies.

## **Item 18 Financial Information**

### **Financial Condition**

SAI does not have any financial impairment that will preclude the firm from meeting contractual commitments to clients.

SAI does not serve as a custodian for client funds or securities, and does not require prepayment of fees of more than \$1,200 per client, and six months or more in advance.

## **Item 19 Business Continuity Plan**

### **General**

SAI has a Business Continuity Plan in place that provides detailed steps to mitigate and recover from the loss of office space, communications, services or key people.

### **Disasters**

The Business Continuity Plan covers natural disasters such as hurricane, flooding, etc., as well as man-made disasters such as loss of electrical power, fire, bomb threat, phone outage, internet outage, other national disasters, etc. Electronic files are backed up daily and archived offsite.

### **Alternate Offices**

Alternate offices are identified to support ongoing operations in the event the main office is unavailable. It is our intention to remain in contact with clients, to the extent possible by the most effective means possible at the time, and to make clients aware of the moving of our office to an alternate location.

### **Loss of Key Personnel**

SAI has a Business Continuation Agreement in place in the event of the death of a key employee. SAI's Board of Directors will make decisions about delegation of responsibilities of the key person, and that will be communicated both to SAI associates and to clients.

## **Item 20 Information Security Program**

### **Information Security**

SAI maintains an information security program to reduce the risk that your personal and confidential information may be breached.

### **Privacy Notice**

SAI is committed to maintaining the confidentiality, integrity and security of the personal information that is entrusted to us.

The categories of nonpublic information that we collect from you may include information about your personal or business finances, information about your health to the extent that it is needed for the financial planning process, information about transactions between you and third parties, and information from consumer reporting agencies, e.g., credit reports. SAI restricts internal access to your personal financial information to only those employees who need to know information in order to provide service or products in order to help you meet your financial goals.

With your permission, we disclose limited information to attorneys, accountants, and mortgage lenders with whom you have established a relationship. You may opt out from our sharing information with these nonaffiliated third parties by notifying us at any time by telephone, mail, fax, email, or in person.

We maintain a secure office to ensure that your information is not placed at unreasonable risk. We employ a firewall barrier, secure data encryption techniques and authentication procedures in our computer environment.

We do not provide your personal information, or that of any former client, to mailing list vendors or solicitors. We require strict confidentiality in our agreements with unaffiliated third parties that require access to your personal information, including financial service companies, consultants, and auditors. Federal and state securities regulators may review our Company records and your personal records as permitted by law.

Credit card information, which you may have furnished to us for the purpose of debiting advisory fees, is password protected and maintained with the highest level of security.

Personally identifiable information about you will be maintained while you are a client, and for the required period thereafter that records are required to be maintained by federal and state securities laws. After that time, information may be destroyed.

We will notify you in advance if our privacy policy is expected to change. We are required by law to deliver this *Privacy Notice* to you annually, in writing.