

Penland Legacy Advisors, LLC

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FORM ADV PART 2A BROCHURE

This brochure provides information about the qualifications and business practices of Penland Legacy Advisors, LLC. If you have any questions about the contents of this brochure, contact us at 704-399-7010. 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 Penland Legacy Advisors, LLC is available on the SEC's website at www.adviserinfo.sec.gov.

Penland Legacy Advisors, LLC is a registered investment adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

Item 2 Material Changes

Form ADV Part 2 requires registered investment advisers to amend their brochure when information becomes materially inaccurate. If there are any material changes to an adviser's disclosure brochure, the adviser is required to notify you and provide you with a description of the material changes.

As of the filing of this amendment, dated November 13, 2017, we have made the following changes to our Form ADV Part 2A.

1. We now offer services to trust and estates that include an associated person of our firm becoming the trustee to certain client accounts. Fees for this service are negotiable. Where an associated of the firm becomes a trustee, we are deemed to have custody of those assets. Custody information has also been updated.
2. We indicate that an associated person of our firm is a licensed insurance agent. Please see Item 10 for disclosure regarding conflicts of interest.
3. The Adviser has reorganized from a sole proprietor to a limited liability company. There is no change in control over the firm.

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Item 4 Advisory Business

Penland Legacy Advisors, LLC is a registered investment adviser primarily based in Charlotte, NC. We are organized as a limited liability company ("LLC") under the laws of the State of NC. On November 1, 2017, Mr. W. Michael Smiley, reorganized the investment adviser from a sole proprietor to a limited liability company. There is no change in control or management of the investment adviser. We have been providing investment advisory services since 2002. We are owned by W. Michael Smiley, Managing Member and Chief Compliance Officer.

The following paragraphs describe our services and fees. Refer to the description of each investment advisory service listed below for information on how we tailor our advisory services to your individual needs. As used in this brochure, the words "we," "our," "Adviser," and "us" refer to Penland Legacy Advisors, LLC and the words "you," "your," and "client" refer to you as either a client or prospective client of our firm. Currently, we offer the following investment advisory services, which are personalized to each individual client:

- **Financial Planning and Consulting Services**
- **Portfolio Management Services**
- **Selection of Other Advisers**
- **Advisory Services to Retirement Plans**
- **Trustee Services**

The following paragraphs describe our services and fees. Please refer to the description of each investment advisory service listed below for information on how we tailor our advisory services to your individual needs.

Financial Planning and Consulting Services

We offer broad-based financial planning and consulting services to our clients and prospective clients.

Financial planning typically involves the production of a "financial plan" that addresses topics, including, but not limited to, the following:

- i. income analysis/cash flow/budget analysis;
- ii. investment analysis/asset allocation;
- iii. retirement needs analysis/planning;
- iv. estate analysis/estate planning service;
- v. charitable giving; and
- vi. education planning.

You may choose to receive only an initial financial plan, however, we also offer regular updating and maintenance of financial plans as part of our financial planning services.

Consulting services primarily involves advising clients on specific financial-related topics. The topics we address may include, but are not limited to, risk assessment/management, investment planning, financial organization, or financial decision making/negotiation.

In providing financial planning services, we may use software to determine your current financial position and to define and quantify your long-term goals and objectives. Once we specify those long-term objectives (both financial and non-financial), we will develop shorter-term, targeted objectives. Once the information is reviewed and analyzed we will present a plan (typically written) to you, designed to help you achieve your stated financial goals and objectives.

Financial planning is based on your financial situation at the time we present the plan and is solely based on the financial information that you provide to us. You must promptly notify us if your financial situation, goals, objectives, or needs change prior to the presentation of the plan.

Consulting services are based on the services requested and agreed to by both parties. To the extent that our provision of consulting services involves review or analysis of documentation or information provided by you, we will rely on such documentation or information without independent verification. Accordingly, you will be responsible for providing all documentation or information necessary or advisable for us to provide the services, and for updating such documentation or information if it changes or requires supplementing.

You are under no obligation to act on our financial planning or consulting recommendations. Should you choose to act on any of our recommendations, you are not obligated to implement the financial plan through any of our other investment advisory services. Moreover, you may act on our recommendations by placing securities transactions with any brokerage firm.

We charge an hourly fee of \$250.00 for financial planning and consulting services which is negotiable depending on the scope and complexity of the plan, your situation, and your financial objectives. An estimate of the total time/cost will be determined at the start of the advisory relationship. In limited circumstances, the cost/time could potentially exceed the initial estimate. In such cases, we will notify you and request that you approve the additional fee. Fees are due upon completion of the services rendered.

You may terminate the financial planning and consulting agreement by providing thirty (30) days written notice to us. You will incur a pro rata charge for services rendered prior to the termination of the agreement.

Portfolio Management Services

We offer discretionary and non-discretionary portfolio management services. Our investment advice is tailored to meet our clients' needs and investment objectives.

If you retain us for portfolio management services, we will meet with you to determine your investment objectives, risk tolerance, and other relevant information (the "suitability information") at the beginning of the advisory relationship. We will use the suitability information gathered to develop a strategy that enables us to give you continuous and focused investment advice and/or to make investments on your behalf. As part of our portfolio management services, we may customize an investment portfolio for you in accordance with your risk tolerance and investing objectives. We may also invest your assets using a predefined strategy, or we may invest your assets according to one or more model portfolios developed by us. Once we construct an investment portfolio for you, or select a model portfolio, we will monitor your portfolio's performance on an ongoing basis, and will rebalance the portfolio as required by changes in market conditions and in your financial circumstances.

If you participate in discretionary portfolio management services, we require you to grant us discretionary authority to manage your account. Discretionary authorization will allow us to determine the specific securities, and the amount of securities, to be purchased or sold for your account without your approval prior to each transaction. Discretionary authority is typically granted by the investment advisory agreement you sign with us, a power of attorney, or trading authorization forms. You may limit our discretionary authority (for example, limiting the types of securities that can be purchased for your account) by providing us with your restrictions and guidelines in writing. If you enter into non-discretionary arrangements with us, we must obtain your approval prior to executing any transactions on behalf of your account.

Our fee for portfolio management services is based on a percentage of your assets under management and is set forth as follows.

Assets Under Management Annualized Fee

Up to \$250,000**	1.50%
\$250,001 to \$750,000	1.00%
\$750,001 to \$1,500,000	0.80%
\$1,500,001 to \$3,000,000	0.60%
\$3,000,001 to \$6,000,000	0.40%
\$6,000,001 to \$9,000,000	0.20%
Over \$9,000,000	0.10%

**A minimum quarterly fee of \$1,000 will be assessed. Existing clients may have differing arrangements not subject to the minimum quarterly fee.

The annual portfolio management fee is billed and payable quarterly in arrears based on the value of your account on the last day of the previous calendar quarter.

If the portfolio management agreement is executed at any time other than the first day of a calendar quarter, the fees will apply on a pro rata basis, which means that the advisory fee is payable in proportion to the number of days in the quarter for which you are a client. Our advisory fee is negotiable, depending on individual client circumstances.

We may combine the account values of family members living in the same household to determine the applicable advisory fee. For example, we may combine account values for you and your minor children, joint accounts with your spouse, and other types of related accounts. Combining account values may increase the asset total, which may result in you paying a reduced advisory fee based on the available breakpoints in the fee schedule stated above.

We will deduct our fee directly from your account through the qualified custodian holding your funds and securities. We will deduct our advisory fee only when you have given us written authorization permitting the fees to be paid directly from your account. Further, the qualified custodian will deliver an account statement to you at least quarterly. These account statements will show all disbursements from your account. You should review all statements for accuracy.

You may terminate the portfolio management agreement upon thirty (30) days written notice. You will incur a pro rata charge for services rendered prior to the termination of the portfolio management agreement, which means you will incur advisory fees only in proportion to the number of days in the quarter for which you are a client.

Selection of Other Advisers

We may recommend that you use the services of a third party money manager ("money manager") to manage your entire, or a portion of, your investment portfolio. After gathering information about your financial situation and objectives, we may recommend that you engage a specific money manager or investment program. Factors that we take into consideration when making these recommendation(s) include, but are not limited to, the following: the money manager's performance, methods of analysis, fees, your financial needs, investment goals, risk tolerance, and investment objectives. We will periodically monitor the money manager(s)' performance to ensure its management and investment style remains aligned with your investment goals and objectives.

The money manager(s) will actively manage your portfolio and may assume discretionary investment authority over your account. We will not manage or obtain investment discretion or trading authority over the assets in your accounts managed by money manager(s). However, we will actively monitor the accounts on a continuous basis.

You will be required to sign an agreement directly with the recommended money manager(s). You may terminate your advisory relationship with the money manager according to the terms of your agreement with the money manager. You should review each money manager's disclosure brochure for specific information on how you may terminate your advisory relationship with the money manager and how you may receive a refund, if applicable. You should contact the money manager directly for questions regarding your advisory agreement with the money manager.

We will provide you with quarterly performance reports identifying the securities held in your account, along with an analysis of the performance of the account for the quarter. In the event that we determine that one or more money manager is not performing in accordance with expectations or is no longer appropriate based on your circumstances and objectives, we will recommend that a money manager be terminated and/or replaced with another money manager. We will review the recommendation with you, and you will make the final determination whether to terminate or replace the money manager.

The fees you pay to these money managers are separate and distinct from the fees you pay to our firm. We will not share in fees you pay to money managers. Money manager fees are established and payable in accordance with their Form ADV Part 2 or other equivalent disclosure document provided by each money manager to whom you are referred. Fees may or may not be negotiable with the recommended money manager. Detailed disclosures will be provided in the relevant money manager's disclosure documents.

We charge a fee for our portfolio monitoring services for assets placed with money manager. The annual monitoring fee is billed and payable quarterly in arrears based on the value of your account on the last day of the previous calendar quarter. The fee is based on a percentage of assets under management by money managers and is negotiable. The annualized fees are based on the following tiered fee schedule:

Assets Under Management	Annualized Fee
Up to \$250,000	1.50%
\$250,001 to \$750,000	1.00%
\$750,001 to \$1,500,000	0.80%
\$1,500,001 to \$3,000,000	0.60%
\$3,000,001 to \$6,000,000	0.40%
\$6,000,001 to \$9,000,000	0.20%
Over \$9,000,000	0.10%

****A minimum quarterly fee of \$1,000 will be assessed. Existing clients may have differing arrangements not subject to the minimum quarterly fee.**

If the advisory agreement is executed at any time other than the first day of a calendar quarter, the fees will apply on a pro rata basis, which means that the advisory fee is payable in proportion to the number of days in the quarter for which you are a client. Our advisory fee is negotiable, depending on

individual client circumstances. While our monitoring fees are separate from the money manager fees, the aggregate fees of our fees and the money managers will be capped at 3.0% of assets under management.

We may combine the account values of family members living in the same household to determine the applicable advisory fee. For example, we may combine account values for you and your minor children, joint accounts with your spouse, and other types of related accounts. Combining account values may increase the asset total, which may result in you paying a reduced advisory fee based on the available breakpoints in the fee schedule stated above.

We will deduct our fee directly from your account through the qualified custodian holding your funds and securities. We will deduct our advisory fee only when you have given us written authorization permitting the fees to be paid directly from your account. Further, the qualified custodian will deliver an account statement to you at least quarterly. These account statements will show all disbursements from your account. You should review all statements for accuracy.

You may terminate the portfolio management agreement upon thirty (30) days written notice. You will incur a pro rata charge for services rendered prior to the termination of the portfolio management agreement, which means you will incur advisory fees only in proportion to the number of days in the quarter for which you are a client.

Advisory Services to Retirement Plans

We offer various levels of advisory and consulting services to employee benefit plans ("Plan"). The services are designed to assist plan sponsors in meeting their management and fiduciary obligations to plan participants under the Employee Retirement Income Security Act ("ERISA") to the extent the Plan is subject to ERISA. Pursuant to adopted regulations of the U.S. Department of Labor, we are required to provide the Plan's responsible plan fiduciary (the person who has the authority to engage us as an investment adviser to the Plan) with a written statement of the services provided to the Plan, the compensation received for providing those services, and our status (which is described below).

The services we provided to your Plan are described above, and in the service agreement. Negotiated on a case by case basis. Our compensation for these services is negotiated on a case by case basis. We do not reasonably expect to receive any other compensation, direct or indirect, for the services we provide to the Plan, unless the plan sponsor directs us to deduct our fees from the plan or directs the plan record-keeper to issue payment for our fees out of the plan. If we receive any other compensation for such services, such as insurance commissions, we will (i) offset the compensation against our stated fees, and (ii) we will promptly disclose to you the amount of such compensation, the services rendered for such compensation and the payer of such compensation.

In providing services to the Plan, our status is that of an investment adviser registered under the Investment Advisers Act of 1940, and we are not subject to any disqualifications under Section 411 of ERISA. In performing fiduciary services, we are acting as a fiduciary of the Plan as defined in Section 3(21) under ERISA, and, to the extent applicable, as a discretionary fiduciary of the Plan as defined in Section 3(38) under ERISA.

Trustee Services

We offer trustee services to on a limited basis. Such services generally consist of Mr. W. Michael Smiley (Managing Member of our firm) serving as the trustee of a trust or the administrator of an estate pursuant to a trustee services agreement. Generally, such services will be provided as a supplement to portfolio management services, and the terms applicable to portfolio management services are generally applicable to the provision of trustee services; provided, however, that fees will be individually negotiated and payable by check unless otherwise stipulated.

Types of Investments

We primarily offers advice on equity securities, warrants, corporate debt securities, commercial paper, certificates of deposit, municipal securities, investment company securities, U.S. Government securities, options contracts on securities and commodities, futures contracts on securities and commodities, and interest in partnerships investing in real estate.

Additionally, we may advise you on any type of investment that we deem appropriate based on your stated goals and objectives. We may also provide advice on any type of investment held in your portfolio at the inception of the advisory relationship.

You may request that we refrain from investing in particular securities or certain types of securities. You must provide these restrictions to us in writing.

Assets Under Management

As of January 2, 2017, we provide continuous management services for \$95,270,332 in client assets on a discretionary basis, and \$7,216,441 in client assets on a non-discretionary basis.

Item 5 Fees and Compensation

Refer to the *Advisory Business* section in this Brochure for information on advisory fees, fee deduction arrangements, and refund policy according to each service our firm offers.

Additional Fees and Expenses

As part of our investment advisory services to you, we may invest, or recommend that you invest, in mutual funds and exchange traded funds. The fees that you pay to our firm for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or exchange traded funds (described in each fund's prospectus) to their shareholders. These fees will generally include a management fee and other fund expenses. You will also incur transaction charges and/or brokerage fees when purchasing or selling securities. These charges and fees are typically imposed by the broker-dealer or custodian through whom your account transactions are executed. We do not share in any portion of the brokerage fees/transaction charges imposed by the broker-dealer or custodian. To fully understand the total cost you will incur, you should review all the fees charged by mutual funds, exchange traded funds, our firm, and others. For information on our brokerage practices, refer to the *Brokerage Practices* section of this brochure.

Compensation for the Sale of Securities or Other Investment Products

Persons providing investment advice on behalf of our firm are licensed as independent insurance agents. These persons will earn commission-based compensation for selling insurance products, including insurance products they sell to you. Insurance commissions earned by these persons are separate and in addition to our advisory fees. This practice presents a conflict of interest because persons providing investment advice on behalf of our firm who are insurance agents have an incentive

to recommend insurance products to you for the purpose of generating commissions rather than solely based on your needs. You are under no obligation, contractually or otherwise, to purchase insurance products through any person affiliated with our firm.

Item 6 Performance-Based Fees and Side-By-Side Management

We do not accept performance-based fees or participate in side-by-side management. Performance-based fees are fees that are based on a share of a capital gains or capital appreciation of a client's account. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. Our fees are calculated as described in the *Fees and Compensation* section above, and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds in your advisory account.

Item 7 Types of Clients

We offer investment advisory services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations, and other business entities. In general, we do not require a minimum dollar amount to open and maintain an advisory account. However, minimum fees may apply as described above in Item 4.

Item 8 Methods of Analysis, Investment Strategies and Risk of Loss

Our Methods of Analysis and Investment Strategies

We may use one or more of the following methods of analysis or investment strategies when providing investment advice to you:

Fundamental Analysis - involves analyzing individual companies and their industry groups, such as a company's financial statements, details regarding the company's product line, the experience and expertise of the company's management, and the outlook for the company and its industry. The resulting data is used to measure the true value of the company's stock compared to the current market value.

Risk: The risk of fundamental analysis is that information obtained may be incorrect and the analysis may not provide an accurate estimate of earnings, which may be the basis for a stock's value. If securities prices adjust rapidly to new information, utilizing fundamental analysis may not result in favorable performance.

Technical Analysis - involves studying past price patterns, trends and interrelationships in the financial markets to assess risk-adjusted performance and predict the direction of both the overall market and specific securities.

Risk: The risk of market timing based on technical analysis is that our analysis may not accurately detect anomalies or predict future price movements. Current prices of securities may reflect all information known about the security and day-to-day changes in market prices of securities may follow random patterns and may not be predictable with any reliable degree of accuracy.

Cyclical Analysis - a type of technical analysis that involves evaluating recurring price patterns and trends. Economic/business cycles may not be predictable and may have many fluctuations between long-term expansions and contractions.

Risk: The lengths of economic cycles may be difficult to predict with accuracy and therefore the risk of cyclical analysis is the difficulty in predicting economic trends and consequently the changing value of securities that would be affected by these changing trends.

Long-Term Purchases - securities purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.

Risk: Using a long-term purchase strategy generally assumes the financial markets will go up in the long-term which may not be the case. There is also the risk that the segment of the market that you are invested in or perhaps just your particular investment will go down over time even if the overall financial markets advance. Purchasing investments long-term may create an opportunity cost - "locking-up" assets that may be better utilized in the short-term in other investments.

Short-Term Purchases - securities purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short-term price fluctuations.

Risk: Using a short-term purchase strategy generally assumes that we can predict how financial markets will perform in the short-term which may be very difficult and will incur a disproportionately higher amount of transaction costs compared to long-term trading. There are many factors that can affect financial market performance in the short-term (such as short-term interest rate changes, cyclical earnings announcements, etc.) but may have a smaller impact over longer periods of times.

Trading - As part of our primary investment strategy when managing your account(s), we will use frequent trading (in general, selling securities within 30 days of purchasing the same securities). Short-term trading is not appropriate for all investors and we only use it if we have determined that it is suitable for you. Short-term trading includes buying and selling securities frequently in an attempt to capture significant market gains and avoid significant losses.

Risk: When a frequent trading policy is in effect, there is a risk that investment performance within your account may be negatively affected, particularly through increased brokerage and other transactional costs and taxes.

Tax Considerations

Our strategies and investments may have unique and significant tax implications. However, unless we specifically agree otherwise, and in writing, tax efficiency is not our primary consideration in the management of your assets. Regardless of your account size or any other factors, we strongly recommend that you consult with a tax professional regarding the investing of your assets.

Moreover, custodians and broker-dealers must report the cost basis of equities acquired in client accounts on or after January 1, 2011. Your custodian will default to the First-In First-Out ("FIFO") accounting method for calculating the cost basis of your investments. You are responsible for contacting your tax advisor to determine if this accounting method is the right choice for you. If your tax advisor believes another accounting method is more advantageous, provide written notice to our firm immediately and we will alert your account custodian of your individually selected accounting method. Decisions about cost basis accounting methods will need to be made before trades settle, as the cost basis method cannot be changed after settlement.

Risk of Loss

Investing in securities involves risk of loss that you should be prepared to bear. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. We cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is in no way an indication of future performance.

Recommendation of Particular Types of Securities

We recommend various types of securities and we do not primarily recommend one particular type of security over another since each client has different needs and different tolerance for risk. Each type of security has its own unique set of risks associated with it and it would not be possible to list here all of the specific risks of every type of investment. Even within the same type of investment, risks can vary widely. However, in very general terms, the higher the anticipated return of an investment, the higher the risk of loss associated with the investment. A description of the types of securities we may recommend to you and some of their inherent risks are provided below.

Generally, we will recommend a diverse portfolio consisting of equity securities, mutual funds, exchange traded funds (ETFs), and/or fixed income investments, such as bonds.

Stocks: There are numerous ways of measuring the risk of equity securities (also known simply as "equities" or "stock"). In very broad terms, the value of a stock depends on the financial health of the company issuing it. However, stock prices can be affected by many other factors including, but not limited to the class of stock (for example, preferred or common); the health of the market sector of the issuing company; and, the overall health of the economy. In general, larger, better established companies ("large cap") tend to be safer than smaller start-up companies ("small cap") are but the mere size of an issuer is not, by itself, an indicator of the safety of the investment.

Mutual Funds and Exchange Traded Funds: Mutual funds and exchange traded funds ("ETF") are professionally managed collective investment systems that pool money from many investors and invest in stocks, bonds, short-term money market instruments, other mutual funds, other securities, or any combination thereof. The fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. While mutual funds and ETFs generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market, primarily invests in small cap or speculative companies, uses leverage (i.e., borrows money) to a significant degree, or concentrates in a particular type of security (i.e., equities) rather than balancing the fund with different types of securities. ETFs differ from mutual funds since they can be bought and sold throughout the day like stock and their price can fluctuate throughout the day. The returns on mutual funds and ETFs can be reduced by the costs to manage the funds. Also, while some mutual funds are "no load" and charge no fee to buy into, or sell out of, the fund, other types of mutual funds do charge such fees which can also reduce returns. Mutual funds can also be "closed end" or "open end". So-called "open end" mutual funds continue to allow in new investors indefinitely whereas "closed end" funds have a fixed number of shares to sell which can limit their availability to new investors.

ETFs may have tracking error risks. For example, the ETF investment adviser may not be able to cause the ETF's performance to match that of its Underlying Index or other benchmark, which may negatively affect the ETF's performance. In addition, for leveraged and inverse ETFs that seek to track the performance of their Underlying Indices or benchmarks on a daily basis, mathematical compounding may prevent the ETF from correlating with performance of its benchmark. In addition, an ETF may not have investment exposure to all of the securities included in its Underlying Index, or its

weighting of investment exposure to such securities may vary from that of the Underlying Index. Some ETFs may invest in securities or financial instruments that are not included in the Underlying Index, but which are expected to yield similar performance.

Municipal Securities: Municipal securities, while generally thought of as safe, can have significant risks associated with them including, but not limited to: the credit worthiness of the governmental entity that issues the bond; the stability of the revenue stream that is used to pay the interest to the bondholders; when the bond is due to mature; and, whether or not the bond can be "called" prior to maturity. When a bond is called, it may not be possible to replace it with a bond of equal character paying the same amount of interest or yield to maturity.

Corporate Debt Securities: Corporate debt securities (or "bonds") are typically safer investments than equity securities, but their risk can also vary widely based on: the financial health of the issuer; the risk that the issuer might default; when the bond is set to mature; and, whether or not the bond can be "called" prior to maturity. When a bond is called, it may not be possible to replace it with a bond of equal character paying the same rate of return.

Item 9 Disciplinary Information

We are required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of our advisory business or the integrity of our management. We do not have any required disclosures under this item.

Item 10 Other Financial Industry Activities and Affiliations

Persons providing investment advice on behalf of our firm may be licensed as insurance agents. These persons will earn commission-based compensation for selling insurance products, including insurance products they sell to you. Insurance commissions earned by these persons are separate from our advisory fees. See the *Fees and Compensation* section in this brochure for more information on the compensation received by insurance agents who are affiliated with our firm.

Recommendation of Other Advisers

We may recommend that you use a third party money manager ("money manager(s)") based on your needs and suitability. We will not receive separate compensation, directly or indirectly, from the money manager for recommending that you use their services. Moreover, we do not have any other business relationships with the recommended money manager(s). Refer to the *Advisory Business* section above for additional disclosures on this topic.

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

Description of Our 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

Neither our firm nor any persons associated with our firm has any material financial interest in client transactions beyond the provision of investment advisory services as disclosed in this brochure.

Personal Trading Practices

Our firm or persons associated with our firm may buy or sell the same securities that we recommend to you or securities in which you are already invested. A conflict of interest exists in such cases because we have the ability to trade ahead of you and potentially receive more favorable prices than you will receive. To mitigate this conflict of interest, it is our policy that neither our firm nor persons associated with our firm shall have priority over your account in the purchase or sale of securities.

Item 12 Brokerage Practices

While you are free to choose any broker-dealer or other service provider, we recommend that you establish an account with a brokerage firm with which our firm has an existing relationship. Such relationships may include benefits provided to us, including but not limited to, research, market information, and administrative services that help us manage your account(s). We believe that recommended broker-dealers provide quality execution services for clients at competitive prices. Price is not the sole factor that we consider in evaluating best execution. We will also consider the quality of the brokerage services provided by recommended broker-dealers, including the value of research provided, the firm's reputation, execution capabilities, commission rates, and responsiveness to clients. In recognition of the value of research services and additional brokerage products and services recommended broker-dealers provide, you may pay higher commissions and/or trading costs than those that may be available elsewhere.

We recommend that clients use Charles Schwab & Co., Inc. ("Schwab"), a registered broker-dealer, member SIPC, as the qualified custodian. Our firm operates independently and is not affiliated with Schwab by common ownership or control. Schwab will hold your assets in a brokerage account, and will buy and sell securities instructed to do so. While we recommend that you use Schwab as custodian/broker, you will decide whether to do so and will open your account with Schwab by entering into an account agreement directly with them. We do not open the account for you, although we may assist you in doing so. Even though your account is maintained at Schwab, we can still use other brokers to execute trades for your account as described below (see "*Your Brokerage and Custody Costs*").

How We Select Brokers/Custodians

We seek to use a custodian/broker who will hold your assets and execute transactions on terms that are, overall, most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others:

- Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
- Capability to execute, clear, and settle trades (buy and sell securities for your account)
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds (ETFs), etc.)
- Availability of investment research and tools that assist us in making investment decisions

- Quality of services
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices
- Prior service to our firm and our other clients
- Reputation, financial strength, and stability
- Availability of other products and services that benefit us, as discussed below (see "*Products and Services Available to Us From Schwab*")

Your Brokerage and Custody Costs

Schwab generally does not charge you separately for custody services. Schwab is compensated by charging you commissions or other fees on trades that it executes or that settle into your Schwab account. This commitment benefits you because the overall commission rates and fees you pay are lower than they would be otherwise. In addition to commissions and fees, Schwab charges you a flat dollar amount as a "prime broker" or "trade away" fee for each trade that we execute by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into your Schwab account. Schwab Institutional reduces its electronic equity trade commission for electronic trades in stocks and third-party exchange-traded funds for those accounts that have enrolled in eDelivery and have household assets less than \$1 million. Electronic Delivery (eDelivery) is defined as consenting to receive trade confirms and account statements electronically and not in paper format. These fees are in addition to the commissions or other compensation you pay the executing broker-dealer. Because of this, in order to minimize your trading costs, we have Schwab execute most trades for your account. We have determined that having Schwab execute most trades is consistent with our duty to seek "best execution" of your trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above (see "*How We Select Brokers/Custodians*").

Products and Services Available to Us From Schwab

Schwab Advisor Services (formerly called Schwab Institutional) is Schwab's business serving independent investment advisory firms like us. They provide our firm and our clients with access to its institutional brokerage—trading, custody, reporting, and related services—many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients' accounts, while others help us manage and grow our business. Schwab's support services generally are available on an unsolicited basis (we do not have to request them) and at no charge to our firm as long as our clients collectively maintain a total of at least \$10 million of their assets in accounts at Schwab. If our clients collectively have less than \$10 million in assets at Schwab, Schwab may charge us quarterly service fees of \$1,200. Following is a more detailed description of Schwab's support services:

Services That Benefit You

Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab's services described in this paragraph generally benefit you and your account.

Services That May Not Directly Benefit You

Schwab also makes available to our firm other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients' accounts. They include investment research, both Schwab's own and that of third parties. We may use this research to service all or a substantial number of our clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- Provide access to client account data (such as duplicate trade confirmations and account statements)
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- Provide pricing and other market data
- Facilitate payment of our fees from your accounts
- Assist with back-office functions, recordkeeping, and client reporting

Services That Generally Benefit Only Us

Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:

- Educational conferences and events
- Consulting on technology, compliance, legal, and business needs
- Publications and conferences on practice management and business succession
- Access to employee benefits providers, human capital consultants, and insurance providers

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide us with other benefits, such as occasional business entertainment of our firm's personnel.

Our Interest in Schwab's Services

The availability of these services from Schwab benefits us because we do not have to produce or purchase them. We do not have to pay for Schwab's services so long as our clients collectively keep a total of at least \$10 million of their assets in accounts at Schwab. Beyond that, these services are not contingent upon us committing any specific amount of business to Schwab in trading commissions or assets in custody. The \$10 million minimum may give us an incentive to recommend that you maintain your account with Schwab, based on our interest in receiving Schwab's services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest. However, we believe that the selection of Schwab as custodian and broker is in the best interests of our clients. Our selection is primarily supported by the scope, quality, and price of Schwab's services (see "*How We Select Brokers/Custodians*") and not Schwab's services that benefit only our firm. We do not believe that recommending clients to collectively maintain at least \$10 million of those assets at Schwab in order to avoid paying Schwab quarterly service fees presents a material conflict of interest.

Brokerage for Client Referrals

We do not receive client referrals from Schwab or any other broker-dealer in exchange for cash or other compensation, such as brokerage services or research.

Directed Brokerage

We routinely recommend that you direct us to execute transactions through Schwab. Given this practice, we may be unable to achieve the most favorable execution of your transactions and you may pay higher brokerage commissions than you might otherwise pay through another broker-dealer that offers the same types of services.

In limited circumstances, and at our discretion, some clients may instruct us to use one or more particular brokers for the transactions in their accounts. If you choose to direct us to use a particular broker, you should understand that this might prevent us from aggregating trades with other client accounts. This practice may also prevent us from obtaining favorable net price and execution. Thus,

when directing brokerage business, you should consider whether the commission expenses, execution, clearance, and settlement capabilities that you will obtain through your broker are adequately favorable in comparison to those that we would otherwise obtain for you.

Block Trades

We combine multiple orders for shares of the same securities purchased for advisory accounts we manages (this practice is commonly referred to as "block trading"). We will then distribute a portion of the shares to participating accounts in a fair and equitable manner. The distribution of the shares purchased is typically proportionate to the size of the account, but it is not based on account performance or the amount or structure of management fees. Subject to our discretion regarding factual and market conditions, when we combine orders, each participating account pays an average price per share for all transactions and pays a proportionate share of all transaction costs. Accounts owned by associated persons of our firm may participate in block trading with your accounts; however, our accounts will not be given preferential treatment.

We combine multiple orders for shares of the same securities purchased for discretionary accounts; however, we do not combine orders for non-discretionary accounts. Accordingly, non-discretionary accounts may pay different costs than discretionary accounts pay. If you enter into non-discretionary arrangements we may not be able to buy and sell the same quantities of securities for you and you may pay higher commissions, fees, and/or transaction costs than clients who enter into a discretionary arrangement.

Item 13 Review of Accounts

We will monitor your accounts on a periodic basis and will conduct account reviews at least annually to ensure the advisory services provided to you are consistent with current investment needs and objectives. Additional reviews may be conducted based on various circumstances, including, but not limited to:

- contributions and withdrawals;
- year-end tax planning;
- market moving events;
- security specific events; and/or,
- changes in your risk/return objectives.

We provide you with an annual report in conjunction with account reviews. Reports will contain relevant account and/or market-related information such as an inventory of account holdings and account performance. We will also provide you with periodic or annual tax reports. You will receive trade confirmations and monthly or quarterly statements from your account custodian(s).

We will review financial plans as needed, depending on the arrangements made with you at the inception of your advisory relationship to ensure that the planning advice, asset allocation recommendations, and/or management of your accounts is consistent with your current investment needs and objectives. Generally, in conjunction with and incidental to other advisory services, we will contact you to evaluate whether any updates may be needed based on changes in your circumstances. Changed circumstances may include, but are not limited to marriage, divorce, birth, death, inheritance, lawsuit, retirement, job loss, and/or disability, among others. Where warranted, we will provide you with updates to the financial plan in conjunction with the review. We recommend meeting with you at least annually to review and update your plan, if needed. Additional reviews will be conducted upon your request. Such reviews and updates will be subject to the then current hourly rate, if the reviews or updates are extraordinary in nature. We will not provide regular written reports for

financial planning and consulting services. If you implement financial planning advice through us and/or Schwab, you will receive trade confirmations and monthly or quarterly statements from relevant custodians.

Item 14 Client Referrals and Other Compensation

As disclosed under the *Fees and Compensation* section in this brochure, persons providing investment advice on behalf of our firm are licensed insurance agents. For information on the conflicts of interest this presents, and how we address these conflicts, refer to the *Fees and Compensation* section.

We do not receive any compensation from any third party in connection with providing investment advice to you nor do we compensate any individual or firm for client referrals.

Refer to the *Brokerage Practices* section above for disclosures on research and other benefits we may receive resulting from our relationship with your account custodian.

Item 15 Custody

As paying agent for our firm, your independent custodian will directly debit your account(s) for the payment of our advisory fees. This ability to deduct our advisory fees from your accounts causes our firm to exercise limited custody over your funds or securities. We do not have physical custody of any of your funds and/or securities. Your funds and securities will be held with a bank, broker-dealer, or other qualified custodian. You will receive account statements from the qualified custodian(s) holding your funds and securities at least quarterly. The account statements from your custodian(s) will indicate the amount of our advisory fees deducted from your account(s) each billing period. You should carefully review account statements for accuracy.

Trustee Services

W. Michael Smiley, Managing Member of Penland Legacy Advisors, LLC, serves as trustee to certain accounts for which we provide investment advisory services. Mr. Smiley's capacity as trustee gives our firm custody over the advisory accounts for which the individual serves as trustee. These accounts will be held with a bank, broker-dealer, or other qualified custodian. If Penland Legacy Advisors, LLC or any of its associated persons, act as trustee for any of your advisory accounts, you will receive account statements from the qualified custodian(s) holding your funds and securities at least quarterly. You should carefully review account statements for accuracy.

Asset Movements

To simplify the management of your complex financial life, we may also provide additional assistance with asset movements, at your direction and with or without written consent prior to each transaction. These may include some or all of the following services:

- Transferring annual IRA contributions
- Transferring amounts between your personal accounts
- Making gifts or charitable contributions
- Sending tuition payments from 529 plans
- Distributing funds to a third party on a regular basis or as needed upon request

In these cases, we are also granted discretion as to the timing and the amount of the transfers. Advisers with authority to make these transfers on a client's behalf technically have access to the client's assets, and therefore are deemed to have custody with respect to such assets.

Item 16 Investment Discretion

Before we can buy or sell securities on your behalf, you must first sign our discretionary management agreement and the appropriate trading authorization forms.

You may grant our firm discretion over the selection and amount of securities to be purchased or sold for your account(s), the broker or dealer to be used for each transaction, and over the commission rates to be paid without obtaining your consent or approval prior to each transaction. You may specify investment objectives, guidelines, and/or impose certain conditions or investment parameters for your account(s). For example, you may specify that the investment in any particular stock or industry should not exceed specified percentages of the value of the portfolio and/or restrictions or prohibitions of transactions in the securities of a specific industry or security. Refer to the *Advisory Business* section in this Brochure for more information on our discretionary management services.

If you enter into non-discretionary arrangements with our firm, we will obtain your approval prior to the execution of any transactions for your account(s). You have an unrestricted right to decline to implement any advice provided by our firm on a non-discretionary basis.

Item 17 Voting Client Securities

We will determine how to vote proxies based on our reasonable judgment of the vote most likely to produce favorable financial results for you. Proxy votes generally will be cast in favor of proposals that maintain or strengthen the shared interests of shareholders and management, increase shareholder value, maintain or increase shareholder influence over the issuer's board of directors and management, and maintain or increase the rights of shareholders. Generally, proxy votes will be cast against proposals having the opposite effect. However, we will consider both sides of each proxy issue. Unless we receive specific instructions from you, we will not base votes on social considerations.

Except in the case of a conflict of interest as described below, we do not accept direction from you on voting a particular proxy.

Conflicts of interest between you and our firm, or a principal of our firm, regarding certain proxy issues could arise. If we determine that a material conflict of interest exists, we will take the necessary steps to resolve the conflict before voting the proxies. For example, we may disclose the existence and nature of the conflict to you, and seek direction from you as to how to vote on a particular issue; we may abstain from voting, particularly if there are conflicting interests for you (for example, where your account(s) hold different securities in a competitive merger situation); or, we will take other necessary steps designed to ensure that a decision to vote is in your best interest and was not the product of the conflict.

We keep certain records required by applicable law in connection with our proxy voting activities. You may obtain information on how we voted proxies and/or obtain a full copy of our proxy voting policies and procedures by making a written or oral request to our firm.

Item 18 Financial Information

We are not required to provide financial information to clients because we do not:

- require the prepayment of more than \$1,200 in fees and six or more months in advance, or
- take custody of client funds or securities, or

- have a financial condition that is reasonably likely to impair our ability to meet our commitments to you.

Item 19 Requirements for State-Registered Advisers

We are a federally registered investment adviser; therefore, we are not required to respond to this item.

Item 20 Additional Information

Your Privacy

We view protecting your private information as a top priority. Pursuant to applicable privacy requirements, we have instituted policies and procedures to ensure that we keep your personal information private and secure.

We do not disclose any non-public personal information about you to any non-affiliated third parties, except as permitted by law. In the course of servicing your account, we may share some information with our service providers, such as transfer agents, custodians, broker-dealers, accountants, consultants, and attorneys.

We restrict internal access to non-public personal information about you to employees, who need that information in order to provide products or services to you. We maintain physical and procedural safeguards that comply with regulatory standards to guard your non-public personal information and to ensure our integrity and confidentiality. We will not sell information about you or your accounts to anyone. We do not share your information unless it is required to process a transaction, at your request, or required by law.

You will receive a copy of our privacy notice prior to or at the time you sign an advisory agreement with our firm. Thereafter, we will deliver a copy of the current privacy policy notice to you on an annual basis. Contact our main office at the telephone number on the cover page of this brochure if you have any questions regarding this policy.

If you decide to close your account(s) we will adhere to our privacy policies, which may be amended from time to time.

If we make any substantive changes in our privacy policy that would further permit or require disclosures of your private information, we will provide written notice to you. Where the change is based on permitted disclosures, you will be given an opportunity to direct us as to whether such disclosure is acceptable. Where the change is based on required disclosures, you will only receive written notice of the change. You may not opt out of the required disclosures.

If you have questions about our privacy policies contact our main office at the telephone number on the cover page of this brochure and ask to speak to the Chief Compliance Officer.

Trade Errors

In the event a trading error occurs in your account, our policy is to restore your account to the position it should have been in had the trading error not occurred. Depending on the circumstances, corrective actions may include canceling the trade, adjusting an allocation, and/or reimbursing the account.

Class Action Lawsuits

We will assist you, in conjunction with your legal counsel or other professionals, in filing claims with the claims administrator to participate in any settlement proceeds related to class action settlements involving a security held in your portfolio. We may also work with your legal counsel to determine whether you are eligible to participate in class action litigation to recover damages on your behalf for injuries as a result of actions, misconduct, or negligence by issuers of securities held in your portfolio.

Business Continuity and Succession Plan

As a fiduciary, Penland Legacy Advisors, LLC has certain legal obligations, including the obligation to act in our clients' best interest. We maintain a Business Continuity and Succession Plan and seek to avoid a disruption of service to our clients in the event of an unforeseen loss of key personnel, due to disability or death. To that end, we have entered into a succession agreement with Beirne Wealth Consulting, effective June 26, 2014. Beirne Wealth Consulting can provide additional information to any current or prospective client upon request to Jim Betzig, CEO at (203) 701-8976 or jbetzig@BeirneWealth.com.

IRA Rollover Considerations

As part of our investment advisory services to you, we may recommend that you withdraw the assets from your employer's retirement plan and roll the assets over to an individual retirement account ("IRA") that we will manage on your behalf. If you elect to roll the assets to an IRA that is subject to our management, we will charge you an asset based fee as set forth in the agreement you executed with our firm. This practice presents a conflict of interest because persons providing investment advice on our behalf have an incentive to recommend a rollover to you for the purpose of generating fee based compensation rather than solely based on your needs. You are under no obligation, contractually or otherwise, to complete the rollover. Moreover, if you do complete the rollover, you are under no obligation to have the assets in an IRA managed by our firm.

Many employers permit former employees to keep their retirement assets in their company plan. Also, current employees can sometimes move assets out of their company plan before they retire or change jobs. In determining whether to complete the rollover to an IRA, and to the extent the following options are available, you should consider the costs and benefits of:

1. Leaving the funds in your employer's (former employer's) plan.
2. Moving the funds to a new employer's retirement plan.
3. Cashing out and taking a taxable distribution from the plan.
4. Rolling the funds into an IRA rollover account.

Each of these options has advantages and disadvantages and before making a change we encourage you to speak with your CPA and/or tax attorney.

If you are considering rolling over your retirement funds to an IRA for us to manage here are a few points to consider before you do so:

1. Determine whether the investment options in your employer's retirement plan address your needs or whether you might want to consider other types of investments.
 - a. Employer retirement plans generally have a more limited investment menu than IRAs.
 - b. Employer retirement plans may have unique investment options not available to the public such as employer securities, or previously closed funds.
2. Your current plan may have lower fees than our fees.
 - a. If you are interested in investing only in mutual funds, you should understand the cost

- structure of the share classes available in your employer's retirement plan and how the costs of those share classes compare with those available in an IRA.
- b. You should understand the various products and services you might take advantage of at an IRA provider and the potential costs of those products and services.
 3. Our strategy may have higher risk than the option(s) provided to you in your plan.
 4. Your current plan may also offer financial advice.
 5. If you keep your assets titled in a 401k or retirement account, you could potentially delay your required minimum distribution beyond age 70.5.
 6. Your 401k may offer more liability protection than a rollover IRA; each state may vary.
 - a. Generally, federal law protects assets in qualified plans from creditors. Since 2005, IRA assets have been generally protected from creditors in bankruptcies. However, there can be some exceptions to the general rules so you should consult with an attorney if you are concerned about protecting your retirement plan assets from creditors.
 7. You may be able to take out a loan on your 401k, but not from an IRA.
 8. IRA assets can be accessed any time; however, distributions are subject to ordinary income tax and may also be subject to a 10% early distribution penalty unless they qualify for an exception such as disability, higher education expenses or the purchase of a home.
 9. If you own company stock in your plan, you may be able to liquidate those shares at a lower capital gains tax rate.
 10. Your plan may allow you to hire us as the manager and keep the assets titled in the plan name.

It is important that you understand the differences between these types of accounts and to decide whether a rollover is best for you. Prior to proceeding, if you have questions contact your investment adviser representative, or call our main number as listed on the cover page of this brochure.