

**Advocacy Wealth Management, LLC**  
**DISCLOSURE BROCHURE, Form ADV 2a**

3350 Riverwood Parkway, Suite GL-28

Atlanta, GA 30339

Phone: (800) 633-2967

Fax: (866) 631-0607

CRD #141943

March 24, 2017

This Brochure provides information about the qualifications and business practices of Advocacy Wealth Management, LLC. If you have any questions about the contents of this Brochure, please contact us at (678)203-0306. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Advocacy Wealth Management, LLC is a Registered Investment Adviser. Registration of an Investment Adviser does not imply any level of skill or training. This Brochure is intended, in part, to provide information which can be used to make a determination to hire or retain an Adviser.

Additional information about Advocacy Wealth Management, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 – Material Changes

The following changes have occurred since our annual Brochure dated March 25, 2015:

- ) Advocacy Wealth Management, LLC (“Advocacy”) has entered into an agreement with Fidelity Institutional Wealth Services, LLC, (“Fidelity”) which will serve as custodian and provide execution, clearing and settlement services for accounts. Advocacy has a direct relationship with Fidelity as of March 22, 2017.
- ) Advocacy has terminated the agreement for Global Financial Private Capital, LLC to provide ongoing operational support or serve as a sub-adviser through its affiliate Aviance Capital Management, LLC., effective March 22, 2017.
- ) Forge Consulting, LLC, formerly the majority owner of Advocacy, solely owns Advocacy as of December 30, 2016.
- ) Effective January 1, 2017, Thomas M. Johnson III serves as Chief Executive Officer and remains the Chief Compliance Officer; David Paventi serves as Chief Operating Officer; Victor P. Wilkerson serves as President; and Beth Allen serves as Secretary.

Pursuant to new SEC Rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. We will further provide other ongoing disclosure information about material changes as necessary.

We will provide you with a new Brochure as necessary based on changes or new information, at any time, without charge. You can contact us at the number above or by emailing us at [tjohnson@advocacywealth.com](mailto:tjohnson@advocacywealth.com) to request a copy of the Brochure.

Additional information about Advocacy Wealth Management, LLC is also available via the SEC’s web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s web site provides information about any persons affiliated with Advocacy Wealth Management, LLC who are registered, or are required to be registered, as investment adviser representatives of Advocacy Wealth Management, LLC.

### Item 3 -Table of Contents

Item 1 – Cover Page .....	i
Item 2 – Material Changes .....	ii
Item 3 -Table of Contents .....	iii
Item 4 – Advisory Business .....	1
Item 5 – Fees and Compensation .....	2
Item 6 – Performance-Based Fees and Side-By-Side Management .....	5
Item 7 – Types of Clients.....	5
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss.....	5
Item 9 – Disciplinary Information .....	6
Item 10 – Other Financial Industry Activities and Affiliations .....	6
Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	<u>76</u>
Item 12 – Brokerage Practices .....	7
Item 13 – Review of Accounts.....	<u>98</u>
Item 14 – Client Referrals and Other Compensation.....	<u>109</u>
Item 15 – Custody .....	<u>109</u>
Item 16 – Investment Discretion .....	<u>109</u>
Item 17 – Voting Client Securities.....	<u>109</u>
Item 18 – Financial Information.....	<u>109</u>

#### **Item 4 – Advisory Business**

Advocacy Wealth Management, LLC (“Advocacy”) was established and approved as a Registered Investment Advisor with the SEC in January 2007. Forge Consulting, LLC is the owner of Advocacy.

#### **Standard of Care**

Advocacy will always act in the client’s best interests above all others, and accepts the fiduciary standard to do so. Advocacy will strive at all times to do no harm to the client. Advocacy will use its resources to address and resolve the client’s needs, fears and wants.

#### **Portfolio Management**

Advocacy offers investment advisory services to individuals, trusts, and estates. Advice and services are tailored to the stated objectives of the client. Advocacy Advisory Representatives work with their clients to identify their investment goals and objectives, as well as risk tolerance, in order to create an initial portfolio allocation designed to complement the client’s financial situation and personal circumstances (“needs, fears, wants”). The portfolio could consist of equities, fixed income securities mutual funds, options, and alternative investments. Generally, a limited financial plan is created in connection with the initial portfolio allocation for an individual. Individual clients are advised that should their financial situation or investment goals or objectives change, they must notify Advocacy promptly of the changes.

Advocacy manages trusts, which can be, though are not limited to grantor, settlement or testamentary in origin, on either a directed or a delegated basis. In a delegated relationship, Advocacy receives instructions from the trustee(s) for investment parameters and authority. In a directed relationship, Advocacy has full investment discretion and authority. In general, trusts under management by Advocacy tend to seek asset conservation as a primary objective, and income from the invested assets as a secondary objective.

The overwhelming majority of Advocacy clients at the present time are recipients of a personal injury, wrongful death, or workers compensation settlement and their plaintiff attorneys. Most such settlements have an annuity component and a cash component to them. Advocacy manages the cash component, as well as the overall financial well-being – to the extent possible – of the client. Advocacy works with its owner, the general insurance agency, Forge Consulting, LLC, to design a financial plan to promote financial well-being. Advocacy then continues to monitor, modify and adjust as life situations and investment opportunities change.

Most of our clients desire and, in our view, need a relatively predictable stream of income upon which they depend for their well-being. Many of our clients, therefore, purchase portfolios we have created which are “bond ladders”, composed of individual securities, either corporate or municipal or both, with stated maturity dates. The maturities and coupon payments are staggered to give the client regularity of income and a reasonable assurance that principal will be returned at maturity since the direct securities are all investment grade. Advocacy’s job from a portfolio point of view then becomes one of managing default risk and reinvesting unused income and return of principal. We frequently add other income, equity or alternative investments to enhance or diversify return. For those clients whose investment capital is limited, we have alternative portfolios that emulate the bond ladders to the degree possible while attempting appropriate diversification and liquidity.

The investment management takes place within a larger structure of financial management. We see our job as a lifelong process of enabling our clients’ well-being within various cycles of living, and the challenges some of those cycles bring. Many of our client’s assets are held in Trust; within that structure,

what we do to manage a client's investments is dependent upon the Trust document, which often is court-driven, and the distributions needed and allowed from that Trust. Advocacy portfolio managers ("PM") work closely with the client's Trust Officer to manage that cash flow. Similarly, the Advocacy PM will work with a client's Conservator, whose investment restrictions tend to be even more stringent.

While the investments are being managed, the Advocacy support staff helps clients buy houses and vehicles, medical equipment, and other items necessary to support the client's well-being as part of an overall financial plan. Advocacy provides resources to preserve governmental benefits. Though we do not provide tax advice, we have a tax attorney with an LL.M degree on staff to help design plans that avoid taxation where possible. We do not charge an extra fee for any of those services.

### **Financial Planning**

Advocacy will prepare and provide clients with a written financial plan designed to help them achieve their financial goals and investment objectives. The preparation of such a plan necessitates that the client provide Advocacy with personal data such as family records, budgeting, personal liability, estate information and additional financial goals. There is no additional charge to the client for the financial plan.

The financial plan can include any or all of the following requested and/or directed by the client: asset protection, tax planning, business succession, strategies for exercising stock options, cash flow, education planning, estate planning and wealth transfer, charitable gifting, long-term care and disability planning, retirement planning, insurance planning, asset allocation comparisons and risk management.

Should a client choose to implement the recommendations contained in the plan, Advocacy suggests that the client work closely with his/her attorney, accountant, insurance agent, and/or stockbroker. Clients are not under any obligation to engage Advocacy when considering implementation of advisory recommendations. The implementation of any or all recommendations is solely at the discretion of the client and can be implemented through another RIA. Many advisory Representatives are also licensed to sell life, health and group insurance through an affiliated insurance agency, Forge Consulting LLC. Clients are under no obligation to utilize services of associated persons in the purchase or sales of insurance products. However, if transactions are conducted through Advocacy's affiliate, Forge Consulting LLC, then commissions will be earned by Forge in addition to any advisory fees charged by Advocacy. From time to time, clients will ask Advocacy to design or review a financial plan for which neither Advocacy nor its affiliates will otherwise receive compensation. In such cases, Advocacy reserves the right to charge a fee commensurate with the work to be done with the approval of the client before work commences.

As of February 29, 2016, Advocacy held \$449,800,000 in discretionary assets under management.

## **Item 5 – Fees and Compensation**

### **Portfolio Management Fee Information**

Management fees are payable in arrears on a monthly basis, commencing when both the client investment management agreement is signed and the assets are deposited in the client's account, unless otherwise stipulated. Deposits and withdrawals made during the month will be billed for the time that the funds were under management. Advocacy has the right to change any or all of its fee schedules with 30 days written notice. Advocacy is not compensated on the basis of a share of capital gains or capital appreciation in a client's account.

The annual standard fee schedule for these services is:

#### **Investment Advisor Annual Fee**

<b>Client Fee</b>	<b>Assets Under Management</b>
<b>1.5%</b>	<b>Charged up to \$500,000</b>
<b>1.0%</b>	<b>Charged from \$500,000 to \$3,000,000</b>
	<b>Negotiable above \$3,000,000</b>

**Example: \$2.75 million under management would pay an annual fee of 1.5% \* \$500,000 + 1% \* \$2,250,000.**

The firm can charge a maximum fee up to 2% under certain circumstances, subject to negotiation depending on a number of factors including, but not limited to, size, scope and complexity of the account. The fee amount charged will be disclosed on the advisory agreement.

As authorized in the Client Agreement, Advocacy instructs the account custodian to withdraw advisory fees directly from the clients' accounts according to the custodian's policies, practices, and procedures and pass through to Advocacy. The custodian sends the client a statement monthly indicating the amount disbursed from the account including the amount of advisory fees paid to Advocacy. The custodian of the account, not Advocacy, holds all customer assets. If requested, clients will be billed directly for advisory services. In this case the client will receive an invoice indicating the amount of the fee, the value of the Client's assets on which the fee was based and the specific manner in which the fee was calculated. Clients should verify the accuracy of the computation; the custodian will not do an independent verification of the accuracy of the computation of fees. It is in the client's best interest to review their invoice and the account statement and alert Advocacy immediately if there are any discrepancies.

Clients can purchase shares of mutual funds directly from the mutual fund issuer, its principal underwriter or a distributor without purchasing the services of Advocacy or paying the advisory fee on such shares (but subject to any applicable sales charges). Certain mutual funds are offered to the public without a sales charge. In the case of mutual funds offered with a sales charge, the prevailing sales charge (as described in the mutual fund prospectus) can be more or less than the applicable advisory fee. However, clients would not receive the advisory representative's assistance in developing an investment strategy, selecting securities, monitoring performance of the account, and making changes as necessary, if such a course of action is taken.

If there is a net debit cash balance in the account as a result of using margin, the cash balance will be excluded from the fee calculation. Net positive cash balances in type 1 (cash account) and type 2 (margin account) are included in the fee calculation. The minimum annual fee is \$1,000. Accordingly, a client might pay an effective rate greater than the rate specified in the fee schedule shown above. Advocacy, in its sole discretion, can 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.).

Fidelity Institutional Wealth Services, LLC ("Fidelity"), as well as others who have custody, charge brokerage transaction based fees or "ticket charges" that vary by security and type of transaction and are passed through to the client. Additionally, Advocacy may be charged an administrative fee by Fidelity to cover expenses associated with the administration of the account. This fee will be paid by Advocacy to Fidelity and will not be charged back to the client. Some mutual funds are part of a "No Transaction Fee" program and have lower or no ticket charges but still have an administrative charge per transaction. Transaction fees for exchanges of one mutual fund for another within the same fund family have lower transaction fees and hence are more commonly used for making adjustments to the portfolio. Some

mutual funds within this program pay 12b-1 service fees (normally 0.25% per year) to Fidelity. Advocacy does not receive any 12b-1 fees.

Transaction fees charged may be higher than those otherwise available if the services were provided separately for a discrete fee or if an Investment Advisor were to select brokerage and negotiate commissions in the absence of the extra consulting service provided. Clients should consider the value of the additional consulting services when making such comparisons. The combination of custodial, consulting, and brokerage services may not be available separately or may require multiple accounts, documentation, and fees. Fees charged by Advocacy for advisory services cover the salaries and additional, non-commission based compensation paid to Advocacy Investor Advisors and other members of the staff. Costs and transaction fees arising out of transactions effected by entities other than Advocacy or attributable to dealer mark-ups, mark-downs or "spreads" (in transactions where another entity acts as principal for its own account) will be separately borne by clients. All fees described herein may be subject to negotiation depending on a range of factors including, but not limited to, account size and overall range of services requested.

Advocacy can and does employ the services of subadvisors to provide consultation, analysis and execution services. Advocacy will compensate the subadvisors from the fee charged the client, and the client will bear no additional expense in the event a subadvisor is employed in connection with that client's account.

All employees of Advocacy, including associated persons, have the same compensation structure, comprised of three components:

1. A salary, or, in two cases a guaranteed draw against partnership profits. That salary or draw is reviewed annually, on or about the anniversary of hire.
2. A bonus based upon the individual's contribution to the enterprise above and beyond daily responsibilities. This compensation is paid following the annual salary review that accompanies a full performance review.
3. A bonus based upon the profitability of the enterprise, which can be enhanced across a particular team if that team's effort merits by comparison and contribution.

### **Account Termination**

The client can terminate the contract without penalty within five business days after entering into the contract. This will not include any market losses which might have occurred. For the purposes of this provision, a contract is considered entered into when all parties to the contract have signed the contract, any other provisions of this contract notwithstanding.

Upon written receipt of notice to terminate its Client Agreement and unless specific transfer instructions are received, Advocacy and its agent will, in an orderly and efficient manner, proceed with liquidation of the client's account. There will not be a charge by us for such liquidation; however, the client should be aware that normal ticket charges will apply and some custodians charge a termination fee as outlined in your Client Agreement. Fees can be waived at management's discretion. Certain mutual funds impose redemption fees as stated in each company's fund prospectus. Termination of the contract will not affect any liabilities or obligations of the parties from transactions initiated before termination of this Agreement or a client's obligation to pay advisory fees paid in arrears (pro-rated through end of the month in which termination is effective).

Clients must keep in mind that the decision to liquidate security issues or mutual funds can result in tax consequences that should be discussed with the client's tax advisor. Factors that can affect the orderly and efficient manner would be size and types of issues, liquidity of the markets, and market makers' abilities. Should the necessary securities' markets be unavailable and trading suspended, efforts to trade will be done as soon as possible following their reopening. Due to the administrative processing time needed to terminate the client's investment advisory service and communicate the instructions to client's Investment Advisor, termination orders received from clients are not market orders; it can take several business days under normal market conditions to process the client's request. During this time, the client's account is subject to market risk. Advocacy and its agent are not responsible for market fluctuations of the client's account from time of written notice until complete liquidation. All efforts will be made to process the termination in an efficient and timely manner.

#### **Item 6 – Performance-Based Fees and Side-By-Side Management**

Advocacy does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

#### **Item 7 – Types of Clients**

Advocacy provides portfolio management services to individuals, corporations and business entities, estates and trusts, other investment advisors, charitable organizations and pension & profit sharing plans. The minimum account size is \$50,000. Account minimums can be waived at the discretion of management.

#### **Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss**

Our investment strategy begins with an understanding of a client's financial goals. Advisors use demographic and financial information provided by the client to assess the client's risk profile and investment objectives in determining an appropriate plan for the client's assets. Investment strategies ordinarily include long- or short-term trading of fixed income securities, stock portfolios, and mutual funds. Margin trading and option trading are used, when appropriate.

Investment recommendations are based on an analysis of the client's individual needs, and are drawn from research and analysis. Security analysis methods include the following:

- ) Fundamental analysis: We attempt to measure the intrinsic value of a security by looking at economic and financial factors to determine if the company is underpriced or overpriced. Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.
- ) Technical analysis and charting: We attempt to determine the trend of a security by studying past market data, using charts, graphs and other tools. This presents a potential risk, as the price of a security can change directions at any time and past performance is not a guarantee of future performance.
- ) Cyclical analysis: We attempt to identify the industry cycle of a company to determine whether the company is in a market introduction phase, growth phase or maturity phase. Generally projected revenues, growth potential and business risk fluctuate based on the company's cycle stage.



Information for this analysis is drawn from financial websites and magazines, research materials prepared by others, annual reports, corporate filings, prospectuses, company press releases and corporate ratings services.

It is important to note that investing in securities involves certain risks that are borne by the investor. For any risks associated with Investment Company products, please refer to the prospectuses for additional details about these risks. Our investment approach constantly keeps the risk of loss in mind. These risks include, but are not limited to:

- ) Interest-rate Risk: Fluctuations in interest rates 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 can 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 can 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.
- ) Reinvestment Risk: This is the risk that future proceeds from investments could 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 perhaps 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's 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 could result in bankruptcy and/or a declining market value.

#### **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Advocacy or the integrity of Advocacy's management. Advocacy has no information applicable to this Item.

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

Some Investment Advisors of Advocacy are licensed insurance agents offering insurance products through Forge Consulting LLC, a licensed insurance agency. When applicable, these individuals recommend insurance products for advisory clients. All related compensation is separate from advisory services.

Advocacy Wealth Management LLC is the majority owner of Advocacy, Inc., a Delaware Corp., which is a Trust Company Holding corporation. Advocacy, Inc. is the 100% owner of Advocacy Trust of Tennessee, LLC, a Tennessee chartered Trust Company that was approved to do business on February 18, 2015. If

trust services are needed, we will refer an advisory client to the affiliated trust company if the client profile and needs warrant. If trustee services are utilized, separate fees will be incurred and Advocacy Wealth Management LLC will benefit through ownership interest. Please see Item 12 for additional disclosures.

Because Advocacy and its advisors have a financial incentive to recommend insurance products and trust services, this creates a conflict of interest. Advocacy is dedicated to acting in your best interests based on fiduciary principles. You are under no obligation to purchase any insurance products or utilize trust services.

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

Advocacy has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at Advocacy must acknowledge the terms of the Code of Ethics annually, or as amended.

Advisors of Advocacy can buy or sell securities that are recommended to clients. Advocacy's employees and persons associated with Advocacy are required to follow the Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of Advocacy and its affiliates can trade for their own accounts in securities which are recommended to and/or purchased for Advocacy's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of Advocacy will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would not materially interfere with the best interest of Advocacy's clients. In addition, the Code requires pre-approval of many transactions, and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client. Employee trading is continually monitored under the Code of Ethics to reasonably prevent conflicts of interest between Advocacy and its clients.

Certain affiliated accounts can trade in the same securities with client accounts on an aggregated basis when consistent with Advocacy's obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a total average price. Advocacy will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order.

Advocacy's clients or prospective clients can request a copy of the firm's Code of Ethics by contacting the Chief Compliance Officer at our main number.

#### **Item 12 – Brokerage Practices**

Advocacy recommends the majority of its clients for brokerage and custodian services to Fidelity Institutional Wealth Services, LLC ("Fidelity"), through its affiliates National Financial Services LLC or Fidelity Brokerage Services LLC, members NYSE and FINRA. For accounts belonging to Advocacy clients maintained in its custody, Fidelity generally does not charge separately for custody services but is

compensated by account holders through transaction-related or asset-based fees for securities trades that are executed through Fidelity or that settle into Fidelity accounts. Fidelity makes products and services available to Advocacy that benefit Advocacy but may not directly benefit its clients' accounts. Many of these products and services are used to service all or a substantial number of Advocacy accounts. Some of these products and services provided by Fidelity include software and other technology that (i) provides access to client account data (such as trade confirmations and account statements); (ii) facilitates trade execution and allocates aggregated trade orders for multiple client accounts; (iii) provides research, pricing and other market data; (iv) facilitates payment of Advocacy fees from its clients' accounts; and (v) assists with back-office functions, recordkeeping and client reporting.

The foregoing arrangements and those with any other custodian that we may enter into an agreement with poses a conflict of interest. Services provided create an incentive for Advocacy to suggest that clients maintain their assets in accounts at Fidelity on the basis of products and services available to Advocacy, rather than solely on the basis of the nature, cost or quality of custody and brokerage services provided by Fidelity to clients. Further, Advocacy frequently suggests the choice of Advocacy Trust of Tennessee, an affiliate under common control and ownership. When the Trustee is Advocacy Trust of Tennessee, Advocacy Wealth Management will benefit directly through its ownership interest. Or, Advocacy could suggest an unaffiliated custodian and trust administrator from whom it could receive a referral fee. In addition to advisory fees, clients will be charged for custody and administration by the Trustee.

However, Advocacy is constrained by fiduciary principles to act in its clients' best interests and will suggest a custodian to clients only when appropriate to do so. In addition, Advocacy maintains an awareness of the services provided to clients by the custodians in an effort to ensure that clients are well served. Advocacy bases the recommendation of custodian or of a Trustee on the individual client's needs. A significant number of clients establish a Special Needs Trust to preserve necessary government benefits and services. Advocacy Trust of Tennessee, where it has authority, provides specialized administration services in this area. Where Advocacy's own affiliate does not have Trust powers, it will recommend a Trustee that has adequate capabilities to serve the client's needs. Another significant subset of clients have either spendthrift issues or endangerment from financial predation from family and friends, or both issues. In those circumstances we recommend a Tennessee Investment Services Trust, administered by Advocacy Trust, which has among the best asset protection statutes in the nation, in our view. For those clients where trusts do not appear a sound solution, we usually recommend Fidelity, which, in our view, offers financial solidity in their custody area and the support Advocacy needs to meet its clients' needs.

Depending on the type of transaction, transactions might be executed through the custodian holding your account or could be directed to another specified broker-dealer. Although the brokerage and/or transaction fees paid by clients shall comply with the firm's duty to obtain best execution, a client can incur costs that are higher than another qualified broker-dealer might charge to effect the same transaction. In executing transactions, the determinative factor is not necessarily the lowest possible cost, but whether the transaction is executed in the most advantageous manner in terms of quality. To assess quality, we evaluate many factors, including full range of a broker-dealer's services, competitiveness of price spreads, timeliness of execution and reporting, frequency and correction of trading errors, back office and trade settlement capabilities, and responsiveness to our orders and needs.

Advocacy frequently aggregates orders in a bunched trade or trades when securities are purchased or sold through the same broker-dealer for multiple accounts. The portfolio manager for each account must

reasonably believe that the bunched order is consistent with Advocacy's duty to seek best execution and will benefit each client participating in the aggregated order. The average price per share of each bunched trade will be allocated to each account that participates in the bunched trade. Upon request, the client will be provided with average price trade details. Accounts that participate in the same bunched trade will be charged commissions or transaction fees, if applicable, in accordance with their advisory contracts. Different accounts participating in a bunched transaction will not necessarily be charged the same commission rates or transaction fees.

If a bunched order cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day will be allocated in a manner that is consistent with the initial pre-allocation or other written statement. This must be done in a way that does not consistently advantage or disadvantage particular client accounts. For example, partial fills generally are filled pro rata among participating accounts. If the amount to be allocated for each account is not indicated prior to placement of the trade, the Chief Compliance Officer must review and approve the allocation.

Changes in allocation prior to final allocation must be made for good cause provided that all client accounts receive fair and equitable treatment. A written explanation of the reason for any material change in the allocation must be provided to and approved by the Chief Compliance Officer. If the change in allocation is the result of a condition that exists or a change in a client's account outside of the portfolio manager's control then approval is not required.

### **Item 13 – Review of Accounts**

For those clients to whom the Advisor provides investment supervisory services, account reviews are conducted on an ongoing basis. Such reviews are typically conducted by the Advisory Representative who originally met with the client to initiate the advisory management agreement, or by a professional to whom the review has been delegated. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with the Advisor and to keep the Advisor informed of any changes thereto. Advisor shall contact ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives. The client agrees to inform the firm promptly of any material changes to the information included in the intake questionnaire or any other change in the client's financial circumstances that might affect the manner in which client's assets should be invested. Clients may contact the firm during normal business hours to consult with Advocacy concerning the management of the client's account(s). Item 15 contains information regarding the custody reports provided.

Additional account reviews can be triggered by potential change (beyond client's needs) including changes in general economic and market conditions, analyst reports, company news and interest rate movement. There is no limit to the number of accounts assigned to any particular reviewer.

Financial planning clients are not obligated to implement a suggested plan. If they do choose to implement the plan through Advocacy, we will recommend the brokerage services of Fidelity. However, clients are free to select another broker-dealer to custody your account and execute your transactions. In this case, the client will negotiate the terms and arrangements with the broker-dealer of choice, and we will not be in a position to seek better execution services or prices from other broker-dealers. Furthermore, we will not be able to aggregate your transactions with orders from other accounts managed by us. Consequently, you might pay higher commissions or transaction cost than otherwise would be the case.

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

Advocacy is not compensated or provided with any economic benefit for providing investment advice by anyone other than the client. Advocacy does not compensate for client referrals. Advocacy receives referral fees from Trustees recommended to the client by Advocacy, but where Advocacy does not provide investment advice.

#### **Item 15 – Custody**

Clients should receive statements at least quarterly from the qualified Custodian that holds and maintains your investment assets. Advocacy urges you to review carefully such statements and compare the official custodial records to any account statements that we provide you. Information we provide could vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

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

Advocacy usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, discretionary authority must be authorized by the client in the written advisory agreement and such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account. When selecting securities and determining amounts, Advocacy observes the investment policies, limitations and restrictions of the clients advised. Investment guidelines and restrictions must be provided to Advocacy in writing.

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

As a matter of firm policy and practice, Advocacy will vote proxies on behalf of advisory clients. Advocacy has the responsibility for receiving and reviewing proxies for any and all securities maintained in client portfolios held in custody by National Financial Services and forwarded to Broadridge's ProxyEdge service.

Proxies for trusts for which Advocacy is the investment manager are received, reviewed and voted by the trustee, unless the trustee delegates review and voting to Advocacy. The Chief Investment Officer is responsible for reviewing and voting proxies for Advocacy. In addition, Advocacy will take any action through its vendor Broadridge with respect to any securities held in any accounts that are named in or are subject to class action lawsuits. Clients retain the right at all times to vote their proxies or act on a class action lawsuit directly.

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

Registered Investment Advisers are required to provide you with certain financial information or disclosures about Advocacy's financial condition. Advocacy has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of any bankruptcy proceeding. Advocacy does not require prepayment of more than \$500 in fees and six or more months in advance per client.