

**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

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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 to 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.

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#### **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 Wealth Management and its Advisers will comply with the Best Interest standard under ERISA, the Internal Revenue Code and the securities laws of the United States when providing investment advice to all clients, and, in fact, adhere to the standard. Advice in the client’s best Interest means advice that, at the time of the recommendation, reflects the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims, based on the investment objectives, risk tolerance, financial circumstances, and needs of the client, without regard to the financial or other interests of the Adviser, Advocacy Wealth Management or any Affiliate, Related Entity, or other party. 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 at the least 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 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, including our clients who not sourced from litigation. Advocacy then continues to monitor, modify and adjust as life situations and investment opportunities change.

At Advocacy, we do not pretend to know what is going to happen in the future. What you make—or lose—by the price of what you own going up or down is unpredictable. While price swings are unpredictable, the size of those swings (also known as “volatility”) is often predictable in large groups of similar things, which we call “asset classes”. Moreover, the income (also known as “yield”) that is paid to you for use of your money is also relatively predictable.

Advocacy focuses on balancing the level of predictable income against the risks that can come along with achieving those income levels. We want you to meet your long-term cash flow, growth, and liquidity needs with the least amount of risk possible.

To succeed, we need to understand the relationship between the risk of an investment and its potential reward. This relationship helps us when initially deciding whether to use your investment dollars to own or to loan.

Asset classes are big buckets of securities that behave alike. We define our primary asset classes as “Fixed Income”, “Equities”, and “Income Enhancers™”. The Fixed Income bucket has Bonds and things that act like Bonds in it. Bonds are loans. You, the lender, receive interest paid to you, usually twice a year. On a certain date in the future, that loan “matures” and you receive the full amount that you lent back from the borrower. In the past, Bonds have offered highly predictable income with lower price volatility than the Equities or Income Enhancers™. (Remember, “volatility” indicates risk.) However, with today’s low interest rates, the income may not be enough by itself to meet a client’s needs.

Our next bucket, Equities, offers growth potential. Equities are stocks, which represent piecemeal ownership in a company. While there is some predictable income associated with stocks, their purpose is to add growth potential to your overall investment holdings. This growth potential also comes with higher volatility levels in their day to day price movements than bonds, for instance.

Income Enhancers™ pay sizable amounts of income in the form of dividends or other distributions. However, that income comes with much more volatility to the price movements of Income Enhancers™ than the other two buckets. Currently, our Income Enhancer™ bucket includes Master Limited Partnerships (MLPs), Mortgage REITs, Option Writing, and multi-class fixed income strategies.

Studies show that roughly 94% of your investment results come from the asset allocation decision—how much goes into each of the three primary asset class buckets. Only about 4% comes from what individual things are in the buckets. The last 2% comes from the timing of when you decide to pull stuff out of or put stuff in the buckets. We focus our work on the 94% by designing a risk budget. Since neither we— nor anyone else we believe —can predict which way a price will move for any given asset class on any given day in the future, we start off by balancing risk and using the budget among the three asset class buckets.

Advocacy starts by spreading your risk budget evenly across these three asset classes. Because the risks of each asset class are different, the weights each receive are not equal. To help measure risk, we use standard deviation to see how much a set of prices moves over time. Said another way, how much prices move over time defines volatility, and standard deviation is how we measure volatility.

How well cash flow can be predicted influences the amount of price movements. Fixed Income (Bonds) has the least amount of price movement—or volatility as the measurement of risk—because their cash flows are governed by contract and are highly predictable. Our Income Enhancers™ bucket offers the highest level of income, but that comes with a considerably higher volatility of prices— because the individual cash flow streams can be unpredictable. Equities have the lowest expected income in the group, and a risk level between that of the other two buckets.

Riskier asset classes over longer periods of time can offer growth in value, though not perhaps growth in income. That growth in value can be sold and used to purchase additional income. But that growth comes with extra risk—prices can, and do, move down as well as up. The higher the standard deviation is, the bigger those moves—up as well as down— tend to be.

Know also that beyond measuring the risk of one asset class versus the other, we also look at how prices “correlate”. Correlation indicates whether the prices of two securities move in the same direction,

opposite directions, or unrelated directions. Generally, prices of Stocks and Income Enhancers tend to move in the opposite direction from Bonds. Adding assets that do not correlate in their price movements can reduce overall risk.

The relationship between the riskiness of a security or an asset class may change over time as does the level of income that is produced. For those reasons, we periodically revisit our asset classes (the buckets themselves) and our weightings (how much and what is in each bucket) to maximize predictable income while we minimize overall volatility. We cannot make all risk disappear, but with diligence we can understand and accept a prudent amount of risk in exchange for income and growth.

By budgeting risk when investing money, we eliminate the temptation to guess where prices are going. We can then concentrate on meeting the specific needs of our clients through predictable income with prudent growth. 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 help 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 excess 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 other financial advisors. 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. If a Trust is administered by Advocacy Trust, our affiliated Trust company will earn fees for that administration, whether Advocacy Wealth manages the investments or not.

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 28, 2017, Advocacy held \$500,433,564.63 in discretionary assets and \$70,162,565.30 in non-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. Some mutual funds are part of a "No Transaction Fee" program no ticket charges. Advocacy uses these funds, primarily ETFs, when those "No Transaction Fee" funds make sense in the client's 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 Investment Advisor Representatives 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 Wealth Management provides financial planning, asset allocation advice, investment advice, tax planning and investment management. Through its affiliates, Forge Consulting, a national general insurance agency, and Advocacy Trust, a state chartered Trust Company, the client has access to a full range of life insurance products, including annuities, and trust services.

Forge Consulting is paid a commission and, if earned by doing a high enough volume of business, an incentive cash override and incentive business trips. Those incentives are paid by either the insurance company that issues the policy involving you or the Insurance Marketing Organization that aids us in processing the insurance business.

Advocacy Trust charges you a fee based on assets under administration, and passes through other expenses incurred as allowed by the individual trust agreement, such as fees for tax preparation and legal expenses for permitting reimbursement under Medicaid rules. Assets under administration include anything owned by your trust except annuities. Advocacy Trust deducts its fees from the client's account monthly, in arrears.



A detailed schedule of fees and standard charges passed through is available on our website ([www.advocacywealth.com](http://www.advocacywealth.com) Fee Schedules), and are attached to the client agreement. The range of commission payments paid by the insurer is also available at the same web address.

Insurance commissions as well as investment management and trust administration fees and commissions collected by the affiliated companies -- Forge Consulting, Advocacy Wealth and Advocacy Trust -- aggregate at the company level, and are not paid directly to individual employees. All employees of Advocacy, including associated persons, have the same compensation structure, comprised of four components:

1. Guaranteed payments to the three senior partners of Forge and salaries to everyone else;
2. A bonus based on the individual's contribution to the organization as a whole;
3. A bonus based on the collective organization as a whole; and
4. Profit sharing interests in Forge.
- 5.

We structured compensation to remove as much sensitivity to how much revenue one product provides us as opposed to another. We emphasize planning and service over sales. Those two elements encourage us to focus on your best interests -- not our own. Much of our revenue is based on your plan doing what it is supposed to do for you, which allows us to retain you as a client. We prosper only if you prosper first.

### **Account Termination**

The client can terminate the contract without penalty within five business days after entering into the contract. The client will be liable for any market losses which might have occurred. Thereafter, this Agreement may be terminated at any time by either party hereto giving to the other at least thirty (30) days prior written notice of such termination. 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.

## **Conflicts of Interest**

### **Ownership**

Forge owns 100% of Advocacy Wealth. Advocacy Wealth owns 100% of the non-diluted common shares of Advocacy, Inc. which owns 100% of Advocacy Trust.

Forge gains financial benefit when a client chooses to work with Advocacy Wealth through distributions of profits earned by Advocacy Wealth to the parent company Forge. Forge may benefit when a client chooses to work with Advocacy Trust through future dividends paid to Advocacy Wealth by Advocacy Trust through its holding company Advocacy, Inc and passed through to Forge.

Advocacy Wealth gains financial benefit when a client chooses to work with Advocacy Trust because clients generally elect to have Advocacy Wealth manage the assets in the trust for a fee either as a directed or as a delegated investment adviser.

Advocacy Trust Solutions, an unincorporated division that works with both Advocacy Trust and Advocacy Wealth, insulates Trust from conflict of interest to an extent through the evaluation of trust partners and best fit for the client.

When all cross-owned entities prosper, capital can flow freely between the entities as needs and opportunities arise, thus benefiting the organization as a whole.

The three senior partners of Forge and participants in the profits interest incentive plan could have a conflict of interest when short term revenue is considered versus long term profit and reinvestment. Because certain life and annuity products pay commissions as soon as the policy is issued, if recurring revenues are insufficient to cover ongoing overhead, there could be a push for products with immediate payouts instead of those with longer trailing revenues. The companies are working very hard in concert to remove this possible conflict of interest entirely and are budgeted to do so within the next two years. Meanwhile, we have a line of credit in place to cover short term cash needs and a robust financial reporting and forecasting system is taking the place of more rudimentary reports.

### **Incentive Compensation**

Forge receives incentive overrides and paid business trips as part of compensation for placing certain paid premium levels of insurance product. There could be a conflict of interest if certain performance targets were close to being achieved which would trigger payment to Forge of either additional compensation or travel awards, or both. The senior partners and others could push and influence to achieve those targets. The compensation system is designed to mitigate such influence were it to occur, and regular company training reinforces the requirement to always put the client's best interests first.

Additionally, Forge earns merchandising and marketing credits at its Insurance Marketing Organization, Advisors Excel, for attaining certain levels of insurance premiums placed. The credits translate into print and visual media as well as logoed merchandise such as ink pens, coffee cups, and other items of incidental

value for distribution to clients and prospects. Since we have not currently been able to use all the credits due us, we do not believe concerns about setting a possible performance target material. Again, regular company training reinforces the requirement to always put the client's best interests first.

Neither Advocacy Wealth nor Advocacy Trust receive incentive payments in any form from any third party at the corporate level. Forge can direct the credits at Advisors Excel to benefit Advocacy Wealth and Advocacy Trust. For example, Advisors Excel produced three-ring binders branded with logos with section tabs to hold monthly statements and other documents for Advocacy Wealth clients. Employees of Advocacy Wealth or Advocacy Trust may indirectly benefit from an incentive payment received by Forge or may directly benefit if selected to receive an incentive business trip awarded to Forge.

## **Regulatory**

The National Association of Insurance Commissioners and, more specifically, the individual commissioner in each state regulates Forge under each state's individual statutes. The Securities and Exchange Commission regulates Advocacy Wealth under the Investment Advisers Act of 1940. The Department of Financial Institutions of the State of Tennessee regulates Advocacy Trust.

A client could be offered products which are more lightly regulated than others in order to receive less regulatory review. However, our planning is integrated across all products lines so as to avail our clients of what we believe best fits each individual need. Furthermore, our willingness to hold ourselves to the fiduciary standard in all cases, even those where it is not necessary or called for by regulation, speaks to our commitment to always act in and put our clients' best interests first.

## **Strategic Business Interests**

Fidelity Custody and Clearing provides custody of cash and securities, electronic funds transfers, dividend postings and retirement accounts for no fees. Fidelity does charge, and we do pass through to the client, fees for transactions and certain other services. In exchange for these transaction and service fees, Fidelity provides Advocacy Wealth with real time data from markets, research, client data and other services. It is possible that clients would pay less in transaction and service fees if Advocacy Wealth were to employ a different platform. When making a recommendation to a client of where to custody the account, Advocacy Wealth considers many factors, especially safety and security, not just costs. Fidelity Investments, one of the largest providers of investment services, owns National Financial Services, the clearing agent and custodian that holds client securities and cash. National Financial has \$1 billion in aggregate excess SIPC coverage, and is a preferred custodian. "SIPC" is the Security Investors Protection Corporation, which in the extraordinarily unlikely event that Fidelity and National Financial were to fail, would protect cash and securities up to \$500,000 – similar to the way the FDIC (Federal Deposit Insurance Corporation) protects bank accounts when a bank fails. The excess SIPC coverage has no per-customer dollar limit on coverage of securities, but there is a per-customer limit of \$1.9 million on coverage of cash. Neither coverage protects against a decline in the market value of securities, nor does either coverage extend to certain securities that are considered ineligible for coverage. However, this is the maximum excess of SIPC protection currently available.

Advocacy Trust Solutions frequently recommend custody and administration of a trust by Secured Futures, a not for profit institution. Advocacy Wealth currently manages the investments on a non-discretionary basis for Secured futures.

Advocacy Trust Solutions often will recommend another Trustee other than Advocacy Trust or Secured Futures. Those Trustees are other Trust Companies or corporate fiduciaries, who could be the attorney who drafted the trust. In almost all such cases, Advocacy Wealth will manage the investments in the trust.

#### **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. As stated earlier, Advocacy spends most of its resources on trying to get asset allocation balanced versus risk right for the client. Once that balance is determined, individual securities and ETFs and other funds of individual securities are analysed. 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.

Upon occasion and only when suitable to the client's investment needs and risk tolerance, we may recommend investing a part of the client's assets in alternative investments, which, typically, are not immediately liquid. When investing in alternatives, we ensure the client has a long term view of investments, can tolerate the risk, and has ample liquidity outside this investment.

#### **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, and that compensation is described in detail in Item 5.

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, 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 Items 5 and 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 and tax 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 , an affiliate under common control and ownership. When the Trustee is Advocacy Trust , 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 , 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.

However, clients are free to select a broker-dealer other than Fidelity or another trustee other than our recommendation to custody your account and execute your transactions. In such cases, the client will negotiate the terms and arrangements with the broker-dealer or trustee of choice, and we will not be in a position to seek better execution services or prices from other broker-dealers or trustees. 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 costs than otherwise would be the case.

### **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 16 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.



#### **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. While Advocacy does not provide cash compensation for client referrals, it does provide sponsorship and entertainment benefits to induce 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 can and does receive 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 fees from clients.