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## Early McClintic & McMillan, LLP Form ADV Part 2A Investment Adviser Brochure

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March 6, 2019

This brochure provides information about the qualifications and business practices of Early McClintic & McMillan, LLP. If you have any questions about the contents of this brochure, please contact us at the number listed above. 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. Registration as an investment adviser does not imply a certain level of skill or training.

Additional information about Early McClintic & McMillan, LLP is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Our CRD number is 288427.

## Item 2: Summary of Material Changes

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This Firm Brochure, Form ADV Part 2A, dated, what date do we use here and on the cover page? is our disclosure document prepared according to the SEC's current requirements and rules.

This Item 2 will be used to provide our clients with a summary of new and/or updated material changes. We will inform you of the revision(s) based on the nature of the updated information. There are no material changes since the March 2018 filing.

In addition to stylistic and clarifying editing changes, the following sections were updated:

- Item 4 - Updated assets under management
- Item 8 - Added additional risk disclosures.
- Item 17 - Clarification provided regarding our policy with respect to corporate actions.

Consistent with SEC requirements, we will ensure that you receive a summary of any material changes to this and subsequent Firm Brochures within 120 days of the close of our business' fiscal year. Furthermore, we will provide you with other interim disclosures about material changes, as appropriate.

### **Full Brochure Available**

Additional information about Early McClintic & McMillan, LLP is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about our associated persons who are registered, or are required to be registered, as investment adviser representatives.

Currently, the Firm's Brochure may be requested by contacting-us at 281/491-5260

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## **Item 4: Advisory Business**

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### **Firm Description and Types of Advisory Services**

Early McClintic & McMillan, LLP is an investment adviser providing wealth services. We provide investment advisory services to individuals, families, high net worth individuals, retirement plan sponsors, and foundation trustees. These services include financial planning services, portfolio management services, pension consulting services, and the selection of other advisers.

Early, McClintic & McMillan is a limited liability partnership organized under the laws of the State of Texas in 1997.

The following paragraphs describe our services and fees. Please refer to the description of each investment advisory service listed below for information on how we tailor our advisory services to your individual needs. As used in this brochure, the terms "we," "our," "firm," "us," and "EMCMC" refer to Early McClintic & McMillan, LLP and the words "you," "your," and "client" refer to you as either a client or prospective client of our firm. You may also see the terms Associated Person or "representative" throughout this brochure. This term refers to our officers, directors, and other personnel who provide investment advice on behalf of our firm. The term "portfolio" refers to all of your accounts collectively managed under a discretionary or non-discretionary portfolio management program.

Prior to engaging EMCMC to provide any services described below, the client will be required to enter into one or more written agreements with EMCMC setting forth the terms and condition under which we shall render our services.

### **Principal Owners**

As of the date of this Brochure, EMCMC is owned by Richard Early, Scott McClintic, Dan McMillan and Ian McClintic.

### **Types of Advisory Services**

EMCMC offers the following types of advisory services: discretionary and non-discretionary portfolio management, financial planning, pension consulting services, and the selection of third-party money managers.

- **Discretionary and Non-Discretionary Portfolio Management**

EMCMC offers discretionary and non-discretionary portfolio management services based upon the individual goals, time horizons, liquidity needs and risk objectives of each client.

We will create a portfolio consisting of one, some, or all of the following: mutual funds, exchange traded funds ("ETFs"), closed-end funds, individual equities and bonds, and other investment products, as

appropriate. EMCMC will allocate your assets among various investments taking into consideration your overall management style and objectives. Mutual funds will be selected on the basis of any or all of the following factors, including, but not limited to: the fund's performance history, industry sector in which the fund invests, the track record of the fund manager, the fund's investment objective, the fund's management style, and the fund's management fee structure. Once the appropriate portfolio has been determined, we will review the portfolio at least quarterly and if necessary, rebalance the portfolio based upon your individual needs and stated goals and objectives. Each client has the opportunity to place reasonable written restrictions on the types of investments to be held in the portfolio. You should keep us informed of any changes in your financial or personal circumstances that could affect our management of your assets. The client maintains individual ownership of all securities in their account.

When appropriate, EMCMC may recommend the use of margin and/or option transactions. Because these investment strategies involve a certain degree of additional risk, they are only recommended when consistent with the client objectives and risk tolerance. While a negative amount may show on your statement for the margined security as the result of a lower net market value, the amount of the fee is based on the absolute market value. This could create a conflict of interest where EMCMC benefits from the use of margin creating a higher absolute market value and therefore receives a higher fee. The use of margin also results in interest charges in addition to all other fees and expenses associated with the security involved.

You agree to permit EMCMC to consult with and obtain information from your accountant and/or attorney, which may be relevant in the development and maintenance of your advisory account(s). It is at our discretion to determine the value of the information received from your accountant and/or attorney, and we are under no obligation to rely solely on this information.

If you enter into a non-discretionary arrangement with our firm, we must obtain your approval prior to our placing each transaction on your behalf with your custodian. Non-discretionary clients in all cases make the final decisions regarding transactions, even in cases where EMCMC facilitates the communication with the client's custodian. Accordingly, non-discretionary clients may forego a particular recommended transaction, or a particular transaction may be delayed, if we cannot obtain your prior consent.

If you participate in our discretionary portfolio management services, we require you to grant our firm discretionary authority to manage your account. Discretionary authorization will allow our firm to determine the specific securities, and the amount of securities, to be purchased or sold for your account without your approval prior to each transaction. Discretionary authority is typically granted in the investment advisory agreement you sign with our firm. You may limit our discretionary authority (for example, limiting the types of securities that can be purchased for your account(s)) by providing our firm with your restrictions and guidelines in writing.

- Raymond James Consulting Services ("RJCS") and Selection of Other Investment Advisers

We may recommend the use of the RJCS, member NYSE/SIPC, separately managed account program sponsored by Raymond James & Associates, Inc. ("RJA"). RJCS serves as a conduit through which clients

may access a number of nationally known money management firms for account sizes below normal firm minimums. All managers hired have passed an in-depth quantitative and qualitative screening process and are subject to on-going monitoring by the Raymond James Asset Management Services (AMS) Manager Selection & Due Diligence team.

You will appoint RJA or an affiliate, as sub-adviser, to select certain portfolio managers, monitor performance of your account, provide you with accounting and other administrative services, and assist portfolio managers with certain trading activities. Based upon your financial needs and investment objectives, we will assist you in selecting an appropriate manager(s). Further, we will receive a portion of the fee.

Factors that we take into consideration when making our recommendation(s) include, but are not limited to, the following: the manager's performance, methods of analysis, fees, your financial needs, investment goals, time horizons, liquidity needs and risk objectives. We will periodically monitor the manager's performance to ensure its management and investment style remain aligned with your investment goals and objectives.

RJA and the manager(s) will actively manage your portfolio and will assume discretionary investment authority over your account. Although we have the discretionary authority to hire and fire manager(s) and/or reallocate your assets to other managers, we will attempt to discuss these changes with you prior to implementation.

- Raymond James Trust Services

Raymond James Trust, N.A. ("RJ Trust"), established in 1992, is a wholly owned subsidiary of Raymond James Financial and manages more than \$4 billion in assets for clients in most of the 50 states and a number of foreign countries. RJ Trust allows advisors to manage client assets using comprehensive trust services and products.

Our clients can utilize the trust services of RJ Trust for a full array of trust structures, such as living trusts, charitable remainder trusts, life insurance trusts, and specialty trusts. We serve as the trust's investment advisor and work in concert with the trust officer at RJ Trust, which will serve as the trustee, co-trustee, personal representative or agent to the trustee. We will remain your point of contact and will manage your assets with an insight into your full financial picture. As your investment manager, EMC MC will establish and monitor asset allocation, review and recommend trades, track and monitor investment performance, and provide investment performance reports. Our services are provided on a non-discretionary basis meaning that we make recommendations to RJ Trust which makes all final decisions.

#### Stand Alone Financial Planning Services

EMCMC offers financial planning services, which may include a review of all aspects of a client's current financial situation, including the following components: cash management, risk management, goal setting, and retirement planning. Clients understand that when we are engaged to address only certain components, the client's overall financial and investment issues may not be taken into consideration.

We meet with you to review risk tolerance, financial goals and objectives, and time horizons. Additional meetings may include a review of additional financial information, sources of income, assets owned, tax returns, investments, and personal and family obligations. The financial plan may include both long and short-term considerations, depending upon the individual scenario. Upon completion, you will be provided with recommendations that are deemed to be compatible with your stated goals and objectives. An implementation schedule is reviewed with you to determine which steps will be pursued, and with whom the steps may be accomplished. You are under no obligation to utilize additional services of EMCMC and its representatives, and you are under no obligation to implement the advice or plan. Clients may choose all or certain components of advice and recommendations and can implement the recommendations through the service providers of their choice.

- Pension Consulting Services

We offer pension consulting services to employee benefit plans and their fiduciaries based upon the needs of the plan and the services requested by the plan sponsor or named fiduciary. In general, these services may include an existing plan review and analysis, plan-level advice regarding fund selection and investment options, education services to plan participants, investment performance monitoring, and/or ongoing consulting. These pension consulting services will generally be non-discretionary and advisory in nature. The ultimate decision to act on behalf of the plan shall remain with the plan sponsor or other named fiduciary.

We may also assist with participant enrollment meetings and provide investment-related educational sessions to plan participants on such topics as:

- Diversification • Asset allocation • Risk tolerance • Time horizon

Our educational sessions may include other investment-related topics specific to the particular plan.

We may also provide additional types of pension consulting services to plans on an individually negotiated basis. All services, whether discussed above or customized for the plan based upon requirements from the plan fiduciaries (which may include additional plan-level or participant-level services) shall be detailed in a written agreement and be consistent with the parameters set forth in the plan documents.

### **Information for all clients**

Each client is advised that it remains such person's responsibility to promptly notify us if there is ever any change in the client's financial situation or investment objectives for the purpose of reviewing, evaluating, or revising EMCMC's previous recommendations and/or services. Changes in tax laws or regulations may occur at any time and could substantially impact your situation. While we are familiar with the tax provisions of the issues presented to you, we are not qualified to render advice on tax or legal matters, nor will EMCMC prepare any actuarial, legal or accounting documents.

## **Assets Under Management**

As of January 31, 2019, EMCMC managed assets of \$337,083,554 million, of which \$202,346,282 million are managed on a discretionary basis and \$184,737,272 are non-discretionary assets.

## **Item 5: Fees and Compensation**

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For all services, other than financial planning billed on an hourly basis, our advisory fees are charged based on an annual percentage of assets under management for each client's portfolio. Annual advisory fees for discretionary and non-discretionary portfolio management services are charged quarterly in arrears based on the total asset value, including cash, of the client's account(s) as of the end-of-period value as valued by your custodian. Clients should note that this total asset value may differ from the amount on a client's brokerage statement due to various factors, such as accrued interest and dividends. Accounts opened or terminated during a calendar quarter will be charged a prorated fee..

- **Discretionary and Non-Discretionary Portfolio Management**

Our current incremental fee schedule for discretionary and non-discretionary portfolios is:

<u>Portfolio Value</u>	<u>Annualized Fee</u>
First \$1,500,000	1.00% (0.25% quarterly charge)
Next \$1,500,000	0.75% (0.1875% quarterly charge)
Over \$3,000,000	0.50% (0.125% quarterly charge)

At the discretion of EMCMC and in lieu of an incremental fee, we may choose to charge a flat fee based upon various factors, including but not limited to, the services requested by the client, type of holdings in your portfolio, the aggregate related-party portfolio size, family holdings, low cost basis securities, certain passively advised investments and pre-existing relationships with clients. The specific fee will be fully disclosed in the client agreement prior to the start of any services. An account will be deemed to be funded when the Advisor determines in its reasonable discretion, based upon Advisor's experience in providing investment advisory services, that the account is available for the Advisor to provide the services contemplated by this Agreement. The Advisor's determination of this funding date shall be conclusive and binding upon the parties absent manifest error.

- **Raymond James Consulting Services ("RJCS") and Selection of Other Investment Advisers**

For clients who select the RJCS program, the annual fees are as follows:

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**Equity and Balanced Accounts:**

<u>Account Value</u>	<u>Total Fee</u>
First \$500,000	3.00%
Next \$500,000	2.50%
Next \$4,000,000	2.00%
Over \$5,000,000	1.50%

**Fixed Income:**

<u>Account Value</u>	<u>Total Fee</u>
First \$500,000	1.50%
Next \$500,000	1.25%
Next \$4,000,000	1.00%
Over \$5,000,000	0.75%

Advisory fees paid to EMC MC include the underlying portfolio manager's fees, and brokerage, transaction, administrative and clearing costs paid to RJA, in its capacity as clearing and executing broker. Clients may also incur charges for other account services provided by RJA not directly related to the execution and clearing of transactions including, but not limited to, IRA custodial fees, safekeeping fees, and fees for legal or courtesy transfers of securities. RJA negotiates with portfolio managers the management fee payable to the portfolio manager, based on factors including, but not limited to, the portfolio manager's assets under management in the RJCS program, average number of portfolio holdings, average annual turnover, anticipated sales and administrative service levels. Although the basis of RJCS' recommendation of portfolio managers is not based on this negotiated management fee, a conflict may exist due to the potential incentive RJCS may have to recommend a portfolio manager(s) with a lower management fee.

The RJCS annual asset-based fee is paid quarterly in advance. When an account is opened, the asset-based fee is billed for the remainder of the current billing period and is based on the initial contribution. Thereafter, the quarterly asset-based fee is paid in advance, is based on the account asset value on the last business day of the previous calendar quarter, and becomes due the following business day. The client will authorize and direct RJA or its affiliate as custodian to deduct asset-based fees from the client's account. The custodian will send monthly or at least quarterly statements to the client, which shows all amounts disbursed from client's account, including fees paid to RJA.

The custodian statement will show the amount of the asset-based fee, the value of the assets on which the fee was based, and the specific manner in which the fee was calculated. Should the client transfer management duties from one portfolio manager to another portfolio manager within RJCS platforms, any prepaid asset-based fees will be reimbursed for the period not utilized by the previous portfolio manager and billed for the remainder of the period for the newly designated portfolio manager. Should the client terminate participation in the RJCS platform, any prepaid asset-based fees will be reimbursed for the period not utilized on a pro-rata basis to the client.

There is an account minimum of \$100,000 for all equity and balance accounts and \$200,000 for fixed income accounts in the RJCS program.

The client advisory agreement is a tri-party agreement between EMC MC, RJCS/RJA, and the client, and there is no direct agreement between the underlying portfolio manager and the client.

- Raymond James Trust Services

Our investment management fee is 1.00% per year up to \$5 million and 0.75% above \$5 million of assets held with RJ Trust. This fee is not a tiered fee schedule and is based on the market value of the account. Our fee, charged quarterly in arrears, is paid directly to us by RJ Trust, as trustee, as part of its trustee fees. The trustee fees, agreed upon between you and RJ Trust, equals the RJ Trust administrative fee and our investment management fee; and is charged and collected by RJ Trust and varies depending on the services provided by them. You should discuss with RJ Trust its fees and additional expenses and services for a complete understanding of this arrangement.

- Pension Consulting Services

Fees are on a per plan basis and are charged quarterly in arrears based on the total asset value, including cash, of the plan's account(s) as of the last day of the previous quarter as valued by your custodian. Clients should note that this total asset value may differ from the amount on a client's custodian statement due to various factors, such as accrued interest and dividends. Accounts initiated or terminated during a calendar quarter will be charged a prorated fee.

Our current incremental fee schedule is:

<u>Plan Assets</u>	<u>Annualized Fee</u>
First \$1,500,000	1.00% (0.25% quarterly charge)
Next \$1,500,000	0.75% (0.1875% quarterly charge)
Over \$3,000,000	0.50% (0.125% quarterly charge)

- Stand Alone Financial Planning Services

For clients who desire and/or require only financial planning services (i.e., no portfolio management), EMC MC charges an hourly planning fee of \$250.00. Fee and fee paying arrangements are negotiable and will be determined on a case-by-case basis. You will receive an invoice upon completion of the financial plan for the fee that is due. This invoice is payable upon receipt. Clients are provided an estimate in advance of the amount of time regarding financial planning services.

You may cancel our financial planning agreement at any time by providing written notice. Upon cancellation, we will present you with an invoice for time spent. This invoice is payable upon receipt.

### Information Regarding All Compensation:

The specific manner in which fees are charged by EMCMC is established in a client's written agreement with us. We generally request that you provide authorization for us to deduct our fees directly from your custodial account(s). Such authorization is included in our written client advisory agreement. In certain circumstances, clients may elect to be invoiced directly for fees instead of having them directly debited from the client custodial account.

In a fee-based account, clients pay a quarterly fee, based on the level of assets in the portfolio, for the services of an investment adviser as part of our advisory relationship. Advisory fees are in addition to the internal expenses charged by mutual funds and other investment company securities. To the extent that you intend to hold these securities, the internal expenses should be included when evaluating the cost of a fee-based account. Clients should periodically re-evaluate whether the use of an asset-based fee continues to be appropriate in servicing their needs. This Brochure, as well as the client agreement, contains additional information you should consider when deciding what type of service is best suited for your particular situation.

In certain circumstances, fees, account minimums and payment terms are negotiable depending on your unique situation – such as the size of the aggregate related-party portfolio size, family holdings, low cost basis securities, certain passively advised investments and pre-existing relationships with clients. Certain clients may pay more or less than others depending on the amount of assets, type of portfolio, or the time involved, the degree of responsibility assumed, complexity of the engagement, special skills needed to solve problems, the application of experience and knowledge of your situation. Except for accounts utilizing RJ Trust, fees are negotiable at the discretion of EMCMC. Lower fees for comparable services may be available from other sources.

EMCMC's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses, if any, which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investments and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and ETFs also may charge management and distribution (12b-1) fees, which are disclosed in a fund's prospectus. To fully understand the total cost you will incur, you should review all the fees charged by mutual funds, ETFs, our firm, and others as disclosed in the fund's prospectus. EMCMC will not receive any portion of these fees charged by third parties.

Such charges, fees and commissions are exclusive of and in addition to our fee, and we shall not receive any portion of these commissions, fees, and costs.

### **Item 6: Performance-Based Fees and Side-by-Side Management**

Neither EMCMC nor any of its associated persons (employees) accepts performance-based fees or participate in any side-by-side management.

We do not use a performance-based fee structure because of the potential conflict of interest. Performance-based compensation may create an incentive for the adviser to recommend an investment that may carry a higher degree of risk to the client. Performance-based fee arrangements involve the payment of fees based on a share of capital gains or capital appreciation of a client's account. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees.

## **Item 7: Types of Clients**

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### **Types of Clients**

EMCMC's clients include individuals, families, high net worth individuals, retirement plan sponsors, and foundation trustees.

### **Account Minimums**

EMCMC requires a minimum portfolio of \$250,000 for investment advisory clients except those in the RJCS program, although this may be negotiable under certain circumstances. There is an account minimum of \$100,000 for all equity and balance accounts and \$200,000 for fixed income accounts in the RJCS program. Waivers or exceptions from the minimum may be granted at the exclusive discretion of EMCMC. We may group certain related client accounts for the purposes of achieving the minimum portfolio size. RJ Trust requires an account minimum of \$500,000.

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

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### **Methods of Analysis**

EMCMC employs a blend of quantitative and qualitative analysis in formulating investment advice and managing your assets.

**Quantitative analysis** uses measurable factors that analyze the returns, volatility and correlation of various asset classes and investments across market cycles.

**Qualitative analysis** uses information that can be observed and evaluated, but not measured, such as management expertise, industry cycles and the potential economic impact of public policy decisions.

### **Investment Strategies**

Our investment strategies and advice may vary depending upon each client's unique financial situation. As such, we determine investments and allocations based upon your financial information, financial goals, time horizons, liquidity needs, risk objectives and other various suitability factors. Your restrictions and guidelines may affect the composition of your portfolio.

The investment strategy for a specific client is based upon the objectives stated by you during consultations. You may change these objectives at any time. We may employ the following investment strategies based upon your individual needs:

- Strategic Asset Allocation – The process of dividing an investment portfolio among different asset categories, such as stocks, bonds and cash, in response to your investment goals, time horizons, liquidity needs and risk objectives.
- Diversification – The process of dividing investments within asset categories and subcategories in an effort to reduce certain types of risk.
- Systematic Rebalancing – The process of periodically rebalancing an investment portfolio back to your strategic asset allocation targets in an intentional effort to maintain an investment mix appropriate for your investment goals, time horizons, liquidity needs and risk objectives.
- Long Term Purchases - Securities purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than five years. In general, equities will only be purchased in portfolios on a long term basis.
- Intermediate Term Purchases – Securities purchased with the expectation that the value of those securities will grow over a multi-year, but defined period of time, generally one to five years. Intermediate term purchases are often bonds or other fixed income equivalents.
- Short Term Purchases – Securities purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year. As short term trading is not a part of our investment strategies, short term purchases prioritize capital preservation and are generally cash or cash alternatives designated for a time specific financial need or portfolio purpose.
- Options Writing – A securities transaction that involves selling an option. An option is the right, but not the obligation, to buy or sell a particular security at a specified price before the expiration date of the option. When an investor sells an option, he or she must deliver to the buyer a specified number of shares if the buyer exercises the option. The seller pays the buyer a premium (the market price of the option at a particular time) in exchange for writing the option. We generally use options only for very narrow purposes in select portfolios in an effort to meet a specific need, such as seeking to partially hedge the value a concentrated employer stock position.

### **Risk of Loss**

Investing in securities involves risk of loss that clients should be prepared to bear. EMCMC's investment approach constantly keeps the risk of loss in mind. Clients face the following investment risks:

- Interest Rate Risk: Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.

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

In addition there are securities specific risks:

- Mutual Funds and ETFs: mutual fund and ETF investments are subject to market and business risk, will fluctuate in value and carry the risk of owning the underlying securities held in the mutual fund or ETF. Mutual fund investments generally entail additional expenses. Mutual fund and ETF investors should carefully review the respective mutual fund or ETF's prospectus which contain a description of the investment objective, risks, fees, and expenses.
- Fixed Income Market Risk: Fixed income investments carry inflation, liquidity and reinvestment risk. Fixed income securities will fluctuate in value in relation to interest rate changes. In a rising interest rate environment the price of fixed income securities will drop in values. In addition fixed income securities are subject to financial risk and the risk that the issuer will default. Bonds that receive a lower credit rating, known as "high yield bonds" or "junk bonds" carry a greater risk of default and investors may lose all of their investment.
- Alternative Investments: Investments in private funds such as hedge funds, or private equity involve long holding periods, have little liquidity and carry a significant degree of risk. These types of investments should only be assumed by sophisticated investors capable of bearing the risk of loss of all of their investment. Investors should review the offering documents which

contains a description of the risks, fees, and expenses before investing

- **Leverage:** Leverage creates an opportunity for greater total returns, but also carries a greater risk of loss from adverse price changes. Losses from short selling may be unlimited, as opposed to losses from a cash investment which are limited to the total amount invested. EMCMC generally will not directly engage in short selling in Client accounts, but may invest in funds and other instruments that may engage in short selling.

Investing in securities involves risk of loss that you should be prepared to bear. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines.

We cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is in no way an indication of future performance. Transactions in a client account, including account reallocations and rebalancing may trigger a taxable event. Clients are urged to consult with their tax advisor.

EMCMC reserves the right to advise clients on any other type of investment that it deems appropriate based on the client's stated goals and objectives.

#### Cybersecurity Risk

EMCMC utilizes electronic communication networks and electronic media to maintain information regarding its clients and its business. This creates an inherent risk for cyber security incidents or cyber-attacks that may result in the inadvertent disclosure of confidential sensitive information to unintended parties, unauthorized access to confidential sensitive information, or operational disruptions by malicious hackers. EMCMC has in place policies and procedures regarding information technology security, maintains technical and physical safeguards and takes other reasonable precautions to safeguard the confidentiality of sensitive information and internal data including periodic testing of its systems. However, even with the implementation of reasonable precautions, the risk remains that cybersecurity incidents may occur. In the event of such an incident, we will promptly notify the affected parties and take all necessary and appropriate actions in accordance with EMCMC's cybersecurity policies and procedures as well as all applicable laws and regulations.

### **Item 9: Disciplinary Information**

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

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

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### **Financial Industry Activities**

EMCMC has not provided information on other financial industry activities and affiliations because we do not have any relationships or arrangements that are material to our advisory business or to our clients with any of the types of entities listed below:

1. broker-dealer, municipal securities dealer, or government securities dealer or broker
2. investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund)
3. other investment adviser or financial planner
4. futures commission merchant, commodity pool operator, or commodity trading advisor
5. banking or thrift institution
6. accountant or accounting firm
7. lawyer or law firm
8. pension consultant
9. real estate broker or dealer
10. sponsor or syndicator of limited partnerships

Our investment adviser representatives are licensed to sell non-variable insurance products through the RJ Insurance Group. This is primarily term life insurance. Our representatives may become licensed with other insurance companies to sell such products. Clients should be aware that these services may pay a commission and could involve a conflict of interest, as commissionable products conflict with the fiduciary duties of a registered investment adviser. EMCMC and its representatives are expected to act in the best interest of the client; including the sale of commissionable products to advisory clients. Clients are not obligated to use EMCMC representatives for insurance product purchases.

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

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### **Code of Ethics**

We strive to comply with applicable laws and regulations governing our practices. Therefore, our Code of Ethics includes guidelines for professional standards of conduct for our associated persons. Our goal is to protect your interests at all times and to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing with you. All of our associated persons are expected to adhere strictly to these guidelines. Our Code of Ethics also requires that certain persons associated with our firm submit reports of their personal account holdings and transactions to a qualified representative of our firm who will review these reports on a periodic basis. Persons associated with our firm are also



required to report any violations of our Code of Ethics. Additionally, we maintain and enforce written policies reasonably designed to prevent the misuse or dissemination of material, non-public information about you or your account holdings by persons associated with our firm. Our Code of Ethics also contains restrictions on the acceptance and delivery of gifts and entertainment and the requirement that we maintain confidentiality of client information.

#### **Participation or Interest in Client Transactions – Personal Securities Transactions**

EMCMC and its employees may buy or sell securities identical to those recommended to clients for their personal accounts. The Code of Ethics, described above, is designed to assure that the personal securities transactions, activities and interests of our employees 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, primarily open-end mutual funds, have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of our clients. In addition, the Code requires pre-clearance of certain transactions.

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 in a security held by an employee. Employee trading is monitored under the Code of Ethics, and designed to reasonably prevent conflicts of interest between our clients and us.

The Chief Compliance Officer and/or his designee, reviews all employee trades each quarter. These reviews ensure that personal trading does not affect the markets, and that clients of EMCMC receive preferential treatment.

#### **Participation or Interest in Client Transactions – Financial Interest and Principal/Agency Cross**

EMCMC and its employees generally will not recommend to clients, or buy or sell for client accounts, securities in which they have a material financial interest. It is our policy that EMCMC will not effect any principal or agency cross securities transactions for client accounts. We also will not cross trades between client accounts.

#### **Participation or Interest in Client Transactions – Aggregation**

At the sole discretion of EMCMC and its employees, we may trade in the same securities with client accounts on an aggregated basis when consistent with our obligation of best execution. In such circumstances, the affiliated and client accounts will receive securities at a total average price. Our Code of Ethics is available to you upon request.

### **Item 12: Brokerage Practices**

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At times, clients may come to EMCMC with an existing brokerage relationship and direct us to execute their trades through that broker-dealer. In such instances, clients typically will negotiate their

commission rate directly with their broker. We generally will not seek better execution services or prices from other broker-dealers, and will not be able to aggregate the client's orders. As a result, clients could pay higher commissions, other transaction costs, greater spreads or receive less favorable net prices on transactions for the client's portfolio than might otherwise be the case.

If the client requests EMC MC to arrange for the execution of securities brokerage transactions for the client's account(s), we shall direct such transactions through broker-dealers that EMC MC reasonably believes will provide best execution. We shall periodically and systematically review our policies and procedures regarding recommending broker-dealers to our clients in light of our duty to obtain best execution.

EMC MC generally recommends Raymond James Financial Services, Inc. ("RJFS"), a widely recognized broker-dealer. However, the client will ultimately be responsible for selection of the financial institution and may select a different Qualified Custodian, provided that it meets our due diligence requirements. The primary factors considered in our decision to recommend RJFS include financial strength, reputation, execution, pricing, research, and the quality of the products and services it offers its clients. Clients are free to select any broker-dealer they wish; however, we anticipate that the majority of our clients will utilize RJFS as their broker-custodian. Not all advisers require their clients to direct their brokerage activities to a particular broker-custodian. EMC MC is independently owned and operated and not affiliated with RJFS, who will hold your assets in a brokerage account and buy and sell securities as instructed. While we recommend that you use RJFS, you will decide whether to do so and will open your brokerage-custodial account by entering into an account agreement directly with them. We do not open the account for you, although we may assist you in doing so. Even though your account is maintained at RJFS, as appropriate, we may use other brokers to execute trades for your account.

The commissions and transaction fees, if any, paid by EMC MC's clients shall be consistent with our duty to obtain "best execution." In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. Consistent with the foregoing, while we will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client transactions.

With respect to any brokerage commissions and transaction fees, if any, charged by executing brokers for investment advisory portfolios, EMC MC will review such charges to ensure they are reasonable and in line with the market. The amount of commission and transaction fee, if any, paid by each client for a transaction placed by EMC MC may be higher than the cost if executed by an alternative broker-dealer. In such cases, we will use our best efforts to determine that the higher commissions and transactions fees, if any, are reasonable in relation to the value of services provided by the executing broker-dealer.

## **Research and Other Soft Dollar Benefits**

“Soft dollars” are typically generated when an investment adviser enters into an agreement with an executing broker to receive a portion of the commissions generated by the adviser’s client trades. The soft dollars are allocated to the investment adviser and can then be used to purchase items or services. We have not entered into soft dollars arrangements as described above although we may do so at any time in compliance with the SEC’s guidance regarding permissible soft dollar arrangements. However, the receipt of goods and/or services from a third party in connection with providing advice to clients could be seen as “soft dollars.” The additional services we receive from RJFS, as described below, could fall under this description of soft dollars.

### *Products and Services Available to Us*

RJFS provides us and our clients with access to its institutional brokerage – trading, custody, reporting and related services – many of which are not typically available to retail customers. RJFS also makes available various support services. Some of those services help us to manage or administer our clients’ accounts. Such support services are generally available on an unsolicited basis (meaning we do not have to request them) and are at no charge to us as long as we continue to keep a specified minimum of our clients’ assets in accounts at the broker-custodian. If we maintain less than the specified minimum, the broker-custodian may charge us service fees. Below is a more detailed description of support services offered by RJFS.

Institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through institutional brokerage include some services to which we might not otherwise have access to or that would require a potentially higher minimum initial investment by our clients.

EMCMC may have the opportunity to receive traditional “non-cash benefits” from RJFS, such as customized statements, receipt of duplicate client confirmations and bundled duplicate statements, access to an institutional trading desk, access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts, ability to have investment advisory fees deducted directly from client accounts, access to an electronic communication network for client order entry and account information, access to mutual funds which generally require significantly higher minimum initial investments or those that are otherwise only generally available to institutional investors, reporting features, receipt of industry communications, and from time to time discounts on business-related products.

We may also be offered other services intended to help us manage and further develop our business enterprise. These services may include

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

Some of these services may be provided by RJFS or the custodians or the custodians will arrange for third-party vendors to provide the services to us. The custodians may also discount or waive their fees for some of these services or pay all or a part of a third party's fees. We may also receive other benefits, such as occasional business entertainment of our personnel. From time to time, RJFS may offer production-based incentives such as the ability to attend industry-related conferences or other benefits; however, EMCMC does not believe that such incentives impair our independence.

#### *Our Interest in the Broker-Custodian's Services*

The availability of these services from the broker-custodian benefits us because we do not have to produce or purchase them. We do not have to pay for the majority of RJFS' services so long as our clients collectively keep a minimum of client assets held in accounts at the broker-custodian. The minimum may give us an incentive to recommend RJFS to maintain your account based on our interest in receiving the services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest. We believe, however, that our recommendation of RJFS as a broker-custodian is in the best interests of our clients. We manage this conflict through disclosure, so that our clients can make an informed decision and we endeavor at all times to put the interest of our clients first as part of our fiduciary duty.

#### **Brokerage for Client Referrals**

EMCMC does not receive client referrals from broker-dealers.

#### **Trade Aggregation**

At our sole discretion, we may choose to block (aggregate) trades for your account with those of other client accounts and personal accounts of persons associated with EMCMC. When we place a block trade, all participants included in the block receive the same price per share on the trade. The price is calculated by averaging the price of all of the shares traded. Due to the averaging of price over all of the participating accounts, aggregated trades could be either advantageous or disadvantageous. If an order is not filled completely so that there are not enough shares to allocate among all the clients equally, shares will be allocated in good faith, in a manner that is deemed equitable to the accounts involved, based on the following considerations: amount of cash in the account, existing asset allocation and industry exposure, risk profile, and type of security. If a partial execution is attained at the end of the trading day, EMCMC will generally allocate shares on a pro rata basis, but may fill small orders entirely before applying the pro rata allocation. Transaction costs are not averaged. You will pay the same transaction costs whether your trade is placed as part of a block or on an individual basis.

Accounts can only be aggregated with other accounts held at the same broker/custodian. Therefore, if your account is not held at RJFS, you may not be able to participate in a block trade. Furthermore, we may not be able to buy or sell the same quantities of securities for you and you may pay higher commission, fees, and/or transaction costs than if transactions were block trades.

EMCMC will always strive to act in the client's best interests.

## **Item 13: Review of Accounts**

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### **Reviews**

Investment advisory portfolios are generally reviewed formally at least annually; portfolios are frequently monitored and reviewed informally.

Reviews also could occur at the time of new deposits, material changes in client's financial information, changes in economic cycles, changes in market, political or economic conditions, changes in tax laws, in connection with a client visit or life event, at EMCMC's discretion, or as often as the client may direct. Reviews entail analyzing securities, sensitivity to overall markets, economic changes, investment results and asset allocation, etc., to ensure the investment strategy and expectations are structured to continue to meet clients' objectives.

We encourage frequent client contact, but will seek out contact at least annually. Clients are requested to promptly notify us of any changes in the client's financial status to ensure that investment strategies continue to meet the client's changing needs.

### **Reporting**

Clients receive account statements from their qualified custodians which include account activity, beginning and ending balances, and current values. Account statements are produced at least quarterly, or for each month when there is activity in an account. The quarterly custodial statements also reflect the amount deducted from the client's account for advisory fees.

EMCMC provides you with reports in the context of ongoing portfolio monitoring, evaluation and resulting conversations with you (or "on demand"), comprehensive current investment portfolio performance reports (provided by RJFS) and asset allocation analysis.

EMCMC will issue additional reports at the client's request. Such as: investment performance reports, asset allocation reports, tax gain and loss reports, etc. Clients are requested to carefully review the information on the custodian statements and promptly inform us of any discrepancies.

### **Stand Alone Financial Planning – Reviews and Reporting**

Financial planning services are offered on an hourly project basis, and do not include ongoing services or ongoing reviews of the client's portfolio, although we may recommend a review be performed at least annually. It is the client's responsibility to update his or her financial goals and secure additional services offered by EMCMC, as desired. Our investment adviser representatives serve as primary reviewers for client accounts while administrative personnel assist with general client communication and services.

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

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### **Other Compensation**

We do not receive any formal economic benefits (other than normal compensation disclosed in Items 5 and 10) from any firm or individual for providing investment advice.

### **Other Compensation – Brokerage Arrangements**

See disclosure in Item 12 regarding compensation, including economic benefits received in connection with giving advice to clients.

### **Compensation – Client Referrals**

We do not make or accept referral fees or any form of remuneration from other professionals when a prospect or client is referred to us.

## **Item 15: Custody**

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We do not have physical custody of any of your funds and/or securities. Your funds and securities will be held with your qualified custodian. You will authorize us to deduct your fees from your custodial account(s) in the written advisory agreement between you and EMC MC. This ability to deduct our advisory fees from your account(s) causes our firm to be deemed to exercise limited custody over your funds or securities. You will receive account statements from the independent, qualified custodian(s) holding your funds and securities at least quarterly. The account statements from your custodian(s) indicate the amount of our advisory fees deducted from your account(s) each billing period. You should carefully review your account statements for accuracy. If you have a question regarding your account statement or if you did not receive a statement from your custodian, please contact us.

We are also deemed to have custody of clients' assets in situations where we have discretion related to third-party transfers contained in standing letters of authorization. The SEC has issued a no-action letter providing relief from certain Custody Rule requirements if we comply with safeguards outlined in the letter. It is our intention to comply with such safeguards.

It is our policy not to accept funds payable to EMC MC or any of its partners or employees and securities, including stock certificates from clients, except in the limited situations where a client pays our advisory fee directly to us and for the payment of our standalone financial planning or advisory services. If you have any questions regarding how to deposit these assets into your custodial account, please contact your EMC MC representative.

## **Item 16: Investment Discretion**

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### **Discretionary Authority for Trading and Limited Power of Attorney**

Through the investment management agreement, EMCMC may accept limited power of attorney to act on a discretionary basis on behalf of clients. A limited power of attorney allows us to execute trades on behalf of our clients. When such limited powers exist between EMCMC and the client, EMCMC has the authority to determine, without obtaining specific client consent, both the amount and type of security to be bought to satisfy client account objectives. Additionally, you may impose reasonable limitation or restrictions. All limitations and restrictions placed on accounts must be given to EMCMC in writing.

### **Non-Discretionary Authority and Financial Planning Clients**

In the context of a non-discretionary mandate, our investment services are limited to an advisory role, and EMCMC does not implement investment decisions without the approval of the client. If you are a financial planning client, you are responsible for implementation of any recommendations we make. We are available to implement these recommendations if you choose.

## **Item 17: Voting Client Securities**

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EMCMC does not accept authority to and does not vote proxies on behalf of clients. Clients retain the responsibility for receiving and voting proxies for securities maintained in their portfolios; clients receive proxies directly from either custodians or transfer agents.

Correspondence related to class action lawsuits, legal proceedings, bankruptcies and proceedings involving an issuer whose securities are held in the client's account will generally be mailed directly to the client by the custodian institution and any required action is the responsibility of the client. Unless legally required to do so, EMCMC will generally not provide advice about the voting of proxies related to legal proceedings, bankruptcies or class action litigation. EMCMC will provide a copy of its Proxy Voting Policy to clients upon request.

## **Item 18: Financial Information**

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EMCMC has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients nor has it been the subject of a bankruptcy proceeding. We do not require prepayment of fees of more than \$1,200 per client and six months or more in advance.

## **Item 19: Requirements for State Registered Advisers**

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This Item is not applicable as EMCMC is not a state registered adviser.