

DISCLOSURE BROCHURE

THE INVESTMENT ADVISERS ACT OF 1940 RULE 203-1

Part 2A of Form ADV: Firm Brochure

D E V O N

INVESTMENT ADVISORY

Firm IARD/CRD #: 300425

Devon Investment Advisory, LLC

REGISTERED INVESTMENT ADVISOR

5847 San Felipe Street
Suite 4550
Houston, Texas 77057

Tel: 713.893.0733

This Disclosure Brochure provides information about the qualifications and business practices of Devon Investment Advisory, LLC, which should be considered before becoming a client. You are welcome to contact us if you have any questions about the contents of this brochure - our contact information is listed to the right. Additional information about Devon Investment Advisory, LLC is also available on the SEC's website at www.adviserinfo.sec.gov.

The information contained in this Disclosure Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any State Securities Administrator. Furthermore, the term "registered investment advisor" is not intended to imply that Devon Investment Advisory, LLC has attained a certain level of skill or training.

BROCHURE
DATED

1
FEBRUARY
2019

MATERIAL CHANGES

ITEM 2

There are no material changes to report. This Disclosure Brochure has been reviewed and is current as of the date indicated on the cover.

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BROCHURE SUPPLEMENTS

ADVISORY BUSINESS

ITEM 4

Who We Are

Devon Investment Advisory, LLC (hereinafter referred to as “Devon”, the “Company”, “we”, “us” and “our”), is a registered investment advisor¹ organized in the State of Delaware in January of 2019 to offer financial services designed to assist you, our client², achieve the financial stability, security, and independence you desire.

Owners

The following persons control the Company:

Name	Title	CRD#
Scott H. Freeman	Managing Member	4042980
Sean J. Coleman	Managing Member	6879937
Kyle M. Bollman	Managing Member	6879938
Warren Bane	Chief Operating Officer	4958383
J. Ross Rutherford	Chief Compliance Officer	7046269

Assets Under Management

As of February 1, 2019, our assets under management totaled:

Discretionary Managed Accounts	\$0
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We do not offer non-discretionary portfolio management services.

FEES & COMPENSATION

ITEM 5

Portfolio Management Fee

Portfolio management services are provided on an **asset-based fee** arrangement. Regardless of the portfolio account size, **our management fee will not exceed 1.50% annually**. The fee will be calculated **quarterly** by multiplying the **aggregate fair market value** of your account on the last trading day of the previous **calendar quarter** by one-fourth of the annual percentage rate (i.e., $1.50\% \div 4 = 0.375\%$).

¹ The term “registered investment advisor” is not intended to imply that Devon Investment Advisory, LLC has attained a certain level of skill or training. It is used strictly to reference the fact that we are “Registered” as an “Investment Advisor” with the United States Securities & Exchange Commission - and “Notice Filed” with State Regulatory Agencies that have limited regulatory jurisdiction over our business practices.

² A client could be an individual and their family members, a family office, a foundation or endowment, a charitable organization, a corporation and/or small business, a trust, a guardianship, an estate, a retirement plan, or any other type of entity to which we choose to give investment advice.

We generally require a minimum initial investment of **\$250,000** to open a managed account; however, we retain the right to **waive or reduce** this minimum if we feel circumstances are warranted.

Protocols for Portfolio Management

The following protocols establish how we handle our portfolio management accounts and what you should expect when it comes to: (i) managing your account; (ii) your bill for investment services; (iii) deposits and withdrawals of funds; and (iv) other fees charged to your account(s).

Discretion

We will establish discretionary trading authority on all management accounts to execute securities transactions at any time without your prior consent or advice.

You may, at any time however, impose restrictions, **in writing**, on our discretionary authority (i.e., limit the types/amounts of particular securities purchased for your account, etc.).

Billing

Your account will be **billed quarterly in advance** based on the aggregate, fair market value of your portfolio. For **new managed** accounts opened in mid-quarter, our fee will be based upon a **pro-rated calculation of your assets to be managed** for the current quarterly period. We **do not make partial refunds** of our quarterly fee for withdrawals you make during a calendar quarter.

Advisory fees will be deducted first from any money market funds or cash balances. If such assets are insufficient to satisfy payment of such fees, a portion of the account assets will be liquidated to cover the fees.

Fee Exclusions

The above fees for all of our portfolio management services are exclusive of any charges imposed by the custodial firm who has custody of your account; including, but not limited to: (i) any Exchange/SEC fees; (ii) certain transfer taxes; (iii) service or account charges, such as, postage/handling fees, electronic fund and wire transfer fees, auction fees, debit balances, margin interest, certain odd-lot differentials and mutual fund short-term redemption fees; and (iv) brokerage and execution costs associated with securities held in your managed account. There can also be other fees charged to your account that are unaffiliated with our management services.

In addition, all fees paid to us for portfolio management services are separate from any fees and expenses charged on mutual fund shares by the Investment Company or by the investment advisor managing the mutual fund portfolios. These expenses generally include management fees and various fund expense, such as 12b-1 fees. Redemption fees, account fees, purchase fees, contingent deferred sales charges, and other sales load charges may occur but are the exception within managed accounts at institutional custodians. A complete explanation of these expenses charged by the mutual funds/ETFs is contained in each mutual fund's or ETF's prospectus. You are encouraged to carefully read the fund prospectus.

For more information on the custodial firm that we will recommend to custody your portfolio accounts, see Item 12, "**Brokerage Practices**".

Termination of Portfolio Management Services

To terminate our investment advisory services, either party (you or us) by **written notification to the other party**, may terminate the Investment Advisory Agreement at any time, provided

such written notification is received **at least 15 days prior** to the date of termination (i.e.; To terminate services on October 1st, a request for termination should be received in our office by September 15th). Such written notification should include the date the termination will go into effect along with any final instructions on the account (i.e., liquidate the account, finalize all transactions and/or cease all investment activity).

In the event termination does not fall on the first/last day of a calendar quarter, **you shall be entitled to a pro-rated refund** of the prepaid quarterly management fee based upon the number of days remaining in the quarter after the termination notice goes into effect. **Once the termination of investment advisory services has been implemented, neither party has any obligation to the other** - we no longer earn management fees or give investment advice and you become responsible for making your own investment decisions.

Referral Portfolio Manager Fee

The Portfolio Manager we introduce under a referral/solicitation relationship have agreed to pay us a referral/solicitation fee of between **20% and 100% of the total management fee** charged for the management of your account. The Portfolio Manager's **management fee will not exceed 2.00% annually**. In addition, sharing the management fee will **not result in you paying a higher management fee** over someone who becomes a client of the Portfolio Manager who was not introduced by us under a referral/solicitation arrangement.

We do not collect any fees from you paid in advance. All compensation we receive will be paid by the Portfolio Manager you selected based on their management fee schedule as disclosed in their Disclosure Brochure; and, such compensation will continue to be paid to us for as long as your account remains with the Portfolio Manager beginning when you sign agreeing to the terms included in their advisory agreement.

You will want to consult the Portfolio Manager's Disclosure Brochure for their policies on how they will handle your account; such as, billing, deposits and withdrawals, fee exclusions, termination, and any other unique advisory costs associated with their service. We will discuss these arrangements with you when we assist you with opening your account with a Portfolio Manager; however, **you are also encouraged to read their terms for management on your own**.

Other Services

Devon has a referral relationship with a trust account administration firm. In a legal proceeding where resolution of a case has been reached, either by settlement or jury award, a Special Needs Trust or Minor's Trust may be needed. In such instances, Devon will refer trusts to the trust account administration firm, who will act, on behalf of the trust, as a Distribution Director. Devon will be compensated from the trust administration fees for this referral. See Item 10, "Other Financial Industry Activities & Affiliations" for other disclosures relating to affiliated business activities.

PERFORMANCE-BASED FEES & SIDE-BY-SIDE MANAGEMENT

ITEM 6

We do not charge fees based on a share of capital gains or the capital appreciation of the assets held in your accounts.

TYPES OF CLIENTS

ITEM 7

The types of clients we refer to Portfolio Managers are disclosed under “Who We Are” in Item 4, the “Advisory Business” section. Since we provide minimal portfolio management services, we do not have a minimum portfolio account size; however, such minimums maybe required by the Portfolio Manager hired to manage your account.

METHODS OF ANALYSIS, INVESTMENT STRATEGIES & RISK OF LOSS

ITEM 8

Our portfolio management services are designed to build long-term wealth while maintaining risk tolerance levels acceptable to you. We combine your financial needs and investment objectives, time horizon, and risk tolerance to yield an effective investment strategy. Your portfolio is then tailored to these unique investment parameters using equity (“stock”) positions, Exchange-Traded Funds (“ETFs”), Investment Company (“mutual funds”) products, along with a mix of fixed-income/debt (“bond”) instruments to achieve the best return on your investment capital.

Methods of Analysis

In analyzing securities to develop an efficient asset allocation portfolio, we will use a combination of analysis techniques to gather information and to guide us in our management decisions.

Fundamental Analysis

Fundamental analysis considers: efficiency ratios, growth rates, enterprise value, economic conditions, earnings, cash flow, book value projections, industry outlook, politics (as it relates to investments), historical data, price-earnings ratios, dividends, general level of interest rates, company management, debt ratios and tax benefits.

RISKS - Fundamental analysis places greater value on the long-term financial structure and health of a company, which may have little to no bearing on what is actually happening in the market place. Investing in companies with sound financial data/strength and a history of health returns can be a good long-term investment to hold in your portfolio; however, such fundamental data does not always correlate to the trading value of the stock on the exchanges. In the short-term, the stock can decrease in value as investors trade in other market sectors.

Quantitative Analysis

Quantitative analysis seeks to understand the behavior of a security using mathematical and statistical modeling to measure certain unique characteristics such as, for example, revenues, earnings, margins, and market share. Mathematical and statistical modeling helps us to ascertain security price and risk to ultimately help identify profitable opportunities.

RISKS - The key benefit of quantitative analysis is its ability to reduce complex figures to a single piece of data that is easy to grasp, discuss, and support decision-making and investment recommendations. However, using quantitative analysis alone with no further evaluation is often too narrow and sometime misleading since focus is on financial data while neglecting other details such as management experience, employee attitudes, and brand recognition.

Technical Analysis

Technical analysis utilizes current and historical pricing information to help us identify trends in the broader domestic and foreign equity and fixed income markets, and in the underlying assets themselves. This may involve the use of various technical indicators, such as moving averages and trend-lines, among others.

RISKS - Technical analysis is charting the historical market data of a stock, taking into consideration current market conditions, to forecast the direction of a future stock price rather than using fundamental tools for evaluating a company's financial strength. Technical analysis focuses on the price movement of a security trading in the market place. This is an ideal tool for short-term investing to identify ideal market entry/exit points. However, no market indicator is absolutely reliable and your investment portfolio can underperform in the short-term should the market indicators be incorrect.

Cyclical Analysis

Market cycles provide historic tried and true timing mechanisms to indicate turning points in future market prices. By tracking historic data through charts and graphs we can improve entry and exit strategies.

RISKS - Cyclical data reveals regular intervals of repeated events that can be forecasted into the future to time the market on when to buy/sell a security. The risk with cyclical analysis is attempting to buy/sell a security based on a future price prediction and missing beneficial movements in price due to an error in timing. This causes harm to the value of the security being bought too high or sold too low.

Fundamental analysis provides us with a broad long-term view of a security that begins with determining a company's value and the strength of its financials while **quantitative analysis** assists us with portfolio optimization techniques. **Technical analysis** is short-term focusing on the statistics generated by market activity; and, **cyclical analysis** provides us with historical data on market trends to focus our technical analysis for ideal entry/exit points.

Investment Strategies

We are not bound to a specific investment strategy or ideology for the management of your investment portfolio. We understand markets and **money made** from increased stock values has greater risk (volatility) than **money earned** from dividends (secure and stable) in income-oriented securities. Our goal is to balance making and earning money by maintaining a disciplined management approach, regardless of the strategy, so as to not sacrifice long-term goals for short-term gains.

Value Investing

Value Investing involves selecting securities that trade for less than their intrinsic values, being more concerned with the business and its fundamentals than other influences on the stock's price. Value investing is about finding stocks that we believe the market has undervalued. We perform fundamental analysis of a company's stock looking at both the qualitative (business model, governance, earning potential, target market factors, etc...) and quantitative (ratios, cash flow, dividends, financial statement analysis, etc...) aspects of the company to determine if the business is currently out of favor with the market and the stock price is deflated. Generally, if we find that a company's fundamentals reveal the stock to be undervalued, we will buy and hold the security for the long term.

Fixed Income Portfolios

The primary investment objective of our bond management strategy is to produce a stable rate of current income, consistent with long-term preservation of capital. This objective is met by investing in fixed-income, investment grade securities, including: U.S. government obligations, corporate bonds, mortgage and asset-backed securities, tax-exempt bonds when appropriate, and certificates of deposits. A secondary objective is to take advantage of opportunities to realize capital appreciation by investing in below investment-grade, fixed-income securities and convertible securities. This investment philosophy is a low-risk, passive management technique. We will evaluate the bond portfolio's performance using the Lehman Brothers U.S. Aggregate Bond Index as a benchmark, along with regular evaluations in regard to duration (interest rate sensitivity), industry and sector weightings, convexity, and yield to maturity, liquidity and quality - the key factors that determine fixed income market performance.

Asset Allocation

Asset allocation is a broad term used to define the process of selecting a mix of asset classes and the efficient allocation of capital to those assets by matching rates of return to a specified and quantifiable tolerance for risk. From this we may use more narrow and aggressive asset allocation derivatives.

Other features of our asset allocation strategies can utilize these portfolio-modeling structures for analyzing various possible portfolio groupings of securities.

Modern Portfolio Theory

Modern Portfolio Theory ("MPT")³ is the analysis of a portfolio of stocks as opposed to selecting stocks based on their unique investment opportunity. The objectives of MPT is to determine your preferred level of risk and then construct a portfolio that seeks to maximize your expected return for that given level of risk.

Tactical Allocation Modeling

Tactical asset allocation is a dynamic investment strategy that actively rebalances a portfolio allocation mix to take advantage of short-term market pricing anomalies or strong market sectors.

Capital Asset Pricing Model ("CAPM")

CAPM⁴ is a model for pricing an individual security or portfolio and its relationship to an expected return to help calculate investment risk and what the return on an investment should be expected.

Sharpe Ratio Model

Sharpe Ratio⁵ is a risk-adjusted measure of return often used to evaluate the performance of a portfolio. The Sharpe Ratio is the average return earned in excess of the risk-free rate per unit of volatility.

³ The "Portfolio Theory" was developed and introduced by Harry M. Markowitz in his paper "Portfolio Selection" published in 1952 by the *Journal of Finance* while he was working on his PhD doctoral thesis at the University of Chicago. Mr. Markowitz further refined his theory during the latter part of the 1950's and on into the 70's. Along the way, his theory became known as the "Modern Portfolio Theory". Mr. Markowitz won the Nobel Memorial Prize in Economic Sciences in 1990 as a co-laureate along with William Sharpe.

⁴ Capital Asset Pricing Model is the work of financial economist William Sharpe and introduced in his book "Portfolio Theory and Capital Markets" published in 1970 by *McGraw-Hill*. Mr. Sharpe expanded Modern Portfolio Theory to include two types of risk: Systematic Risk and Unsystematic Risk. Mr. Sharpe won the Nobel Memorial Prize in Economic Sciences in 1990 as a co-laureate along with Harry Markowitz.

⁵ Nobel laureate and economist William F. Sharpe developed the Sharpe Ratio.

Dollar-Cost Averaging

Dollar-cost averaging is the technique of buying a fixed dollar amount of securities at regularly scheduled intervals, regardless of the price per share. This will gradually, over time, decrease the average share price of the security. Dollar-cost averaging lessens the risk of investing a large amount in a single investment at the wrong time.

Managing Risk

The biggest risk to you is the risk that the value of your investment portfolio will decrease due to moves in the market. This risk is referred to as the **market risk** factor, also known as variability or volatility risk. Other important risk factors:

- ❖ **Interest Rate Risk** - Interest rate risk affects the value of bonds more than stocks. Essentially, when the interest rate on a bond begins to rise, the value (bond price) begins to drop; and vice versa, when interest rates on a bond fall, the bond value rises.
- ❖ **Equity Risk** - Equity risk is the risk that the value of your stocks will depreciate due to stock market dynamics causing one to lose money.
- ❖ **Currency Risk** - Currency risk is the risk that arises from the change in price of one currency against that of another. Investment values in internationally securities can be affected by changes in exchange rates.
- ❖ **Inflation Risk** - The reduction of purchasing power of investments over time.
- ❖ **Commodity Risk** - Commodity risk refers to the uncertainties of future market values and the size of future income caused by the fluctuation in the prices of commodities (i.e., grains, metals, food, electricity, etc...).

The risk factors we have cited here are not intended to be an exhaustive list but are the most common risks your portfolio will encounter. Other risks that we haven't defined could be political, over-concentration, and liquidity to name a few. However, notwithstanding these risk factors, the most important thing for you to understand is that regardless of how we analyze securities or the investment strategy and methodology we use to guide us in the management of your investment portfolio, **investing in a security involves a risk of loss that you should be willing and prepared to bear; and furthermore, past market performance is no guarantee that you will see equal or better future returns on your investment.**

DISCIPLINARY INFORMATION

ITEM 9

Neither the Company nor any of its management persons has been the subject of any criminal or civil litigation, self-regulatory organization/administrative proceeding at any time during the past ten years.

OTHER FINANCIAL INDUSTRY ACTIVITIES & AFFILIATIONS

ITEM 10

Financial Industry Affiliations

The Managing Members of Devon: Scott H. Freeman, Sean J. Coleman, and Kyle M. Bollman, in one or more companies, may: (i) serve as a member on the Board of Directors and/or as an officer or partner in which they have other managerial duties; (ii) serve on an Investment Committee; (iii) act simply as a passive shareholder; and/or (iv) provide additional services as a representative of that entity. These personal business interests are separate and distinct from

the operations of Devon, including certain advising and consulting activities that are beyond the scope of services we provide. Those businesses that are financial industry related are listed as follows:

- ❖ **DTI Funds Holding, LLC** - DTI Funds is a majority shareholder of Alpha Artists, LLC. Alpha Artists provides solutions to enhance risk assessments on insurance-based products using predictive annuity algorithms. Mr. Coleman and Mr. Bollman are each Members of DTI Funds with limited operational involvement of Alpha Artists.
- ❖ **Investment Horizons, LLC** - Investment Horizons is a majority shareholder of Applied Investment Strategies, LLC ("AIS"). AIS is a Texas based registered investment advisor specializing in designing portfolio risk-mitigation algorithms. Mr. Coleman and Mr. Bollman are each Members of Investment Horizons with limited operational involvement of AIS.
- ❖ **Sage Settlement Consulting, LLC** - Sage Settlement is a general insurance agency offering full-service settlement planning solutions for structured settlements. Sage Settlements is majority owned by two separate entities that are in turn owned by the Managing Members of Devon. Through these entities, the Managing Members control the operations of Sage Settlement.
- ❖ **Integrated Financial Settlements, Inc.** - Integrated Financial Settlements ("IFS") is a general insurance agency dedicated to bringing care and financial security to individuals and families who have experienced personal injury. IFS is wholly owned by Growth Settlements II, LLC that Mr. Coleman and Mr. Bollman are each Members that control IFS operations.
- ❖ **Structures, LLC** - Structures is a general insurance agency and leading innovator and manufacturer of cutting-edge settlement solutions for plaintiffs and their legal counsel. Structures is majority owned by Plaintiff Settlement Solutions, LLC with Mr. Freeman, Mr. Coleman and Mr. Bollman as Members that control Structures operations.

Potential Time Management Conflict

In addition to the Managing Members' affiliation with financial industry related businesses, they each manage and operate separate non-industry related companies. Their time devoted to all these different companies can range from 50% to 100% of their time depending on their responsibilities, operating constraints, and administrative duties. **The Managing Members' responsibilities to these different companies can create a time management conflict, which might impede their ability to address your needs when hiring a Portfolio Manager. You should consider this conflict of interest before making your final decision to engage us for advisory services.** Regardless, the Managing Members feel their responsibilities to these other businesses will have little impact on the referral services offered by Devon since we do not manage investment accounts.

Conflicts Working with Affiliated Entities

Referral to, from, and between the above-named entities the Managing Members own creates **a potential conflict of interest to our fiduciary duty to be impartial** with our advice and to keep your interests ahead of our own. As control persons, shareholders, and/or representatives in each of the above-named entities, the Managing Members are able to influence the direction of investment activities - keeping all services in house.

Accepting any of the Managing Members' recommendations to use one of the above-named entities, can lead to increased personal revenues in the form of advisory/referral fees, salary, income/dividend returns, bonuses, and incentive fees. Therefore, before accepting any recommendation to engage an affiliated company, **you may wish to consider other options**

to ensure that the services from our affiliates are comparable or equivalent to the service you might receive from other independent firms.

Insurance Company Activities & Affiliations

The Managing Members of Devon: Scott H. Freeman, Sean J. Coleman, and Kyle M. Bollman are licensed as life, health, annuity, insurance agents in the state where they reside. As agents, each of the Managing Members are licensed to sell insurance-related products and earn commissions from the sale of these products. A conflict of interest can potentially occur when, as a trusted advisor, they recommend you purchase an insurance product in which they will earn a commission. This can create a situation of divided loyalty and the objectivity of the advice we render could be subjective and create a disadvantage to you.

Therefore, keep in mind you are under no obligation to accept recommendations that you purchase insurance related products. **You are free to reject our recommendation** or, if you need the insurance, to choose the insurance agency, agent, and insurance company from whom to purchase the insurance. However, if you elect to purchase the insurance, regardless of where, and from whom you purchase it, such person will be entitled to earn a commission.

CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS & PERSONAL TRADING

ITEM 11

Code of Ethics

As a fiduciary, we have an affirmative duty to render continuous, unbiased investment advice, and at all times act in your best interest. To maintain this ethical responsibility, we have adopted a Code of Ethics that establishes the fundamental principles of conduct and professionalism expected by all personnel in discharging their duties. This Code is a value-laden guide committing such persons to uphold the highest ethical standards, rooted in the most elementary maxim - to do right by others. Our Code of Ethics is designed to deter inappropriate behavior and heighten awareness as to what is right, fair, just and good by promoting:

- ❖ Honest and ethical conduct.
- ❖ Full, fair and accurate disclosure.
- ❖ Compliance with applicable rules and regulations.
- ❖ Reporting of any violation of the Code.
- ❖ Accountability.

To help you understand our ethical culture and standards, how we control sensitive information and what steps have been taken to prevent personnel from abusing their inside position, a copy of our Code of Ethics is available for review upon request.

Client Transactions

We have a fiduciary duty to ensure that your welfare is not subordinated to any interests of ours or of our personnel. The following disclosures are internal guidelines we have adopted to assist us in protecting all of our clientele.

Participation or Interest

It is against our policies for any owners, officers, directors and employees to invest with you or with a group of clients, or to advise you or a group of clients to invest in a private business

interest or other non-marketable investment unless prior approval has been granted by our Chief Compliance Officer, and such investment is not in violation of any SEC and/or State rules and regulations.

Insider Trading Policy

We comply with the Insider Trading and Securities Fraud Enforcement Act of 1988. We do not share any non-public information with anyone who does not need to know and have established internal controls to guard your personal information.

Class Action Policy

The Company **does not elect to participate** in class action lawsuits on your behalf. Such decisions shall remain with you or with an entity you designate. However, if you have specific questions you may contact us and we will help explain the particulars. Keep in mind, any final determination of whether to participate, and the completion and tracking of any such related documentation, shall rest with you.

BROKERAGE PRACTICES

ITEM 12

Custodial Services

The Company maintains a custodial relationship with Fidelity Brokerage Services, LLC and their affiliate National Financial Services, LLC, herein referred to as “Fidelity”, a registered broker-dealer (member FINRA/SIPC), through their division Fidelity Institutional Wealth Services (“FIWS”) for investment advisors. Fidelity offers us services, which include custody of securities, trade execution, clearance and settlement of transactions.

Our recommendation for you to custody your assets with Fidelity has no direct correlation to the services we receive from Fidelity and the investment advice we offer you, although **we do receive economic benefits for which we do not have to pay** through our relationship with Fidelity that are typically not available to Fidelity retail clients. This may create an incentive for us to recommend Fidelity based on the economic benefits we receive rather than on your interest in receiving most favorable execution. These economic benefits include the following products and services provided without cost or at a discount:

- ❖ Receipt of duplicate client statements and confirmations;
- ❖ Research related products and tools and consulting services;
- ❖ Access to a dedicated trading desk;
- ❖ Access to batch trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to accounts);
- ❖ The ability to have advisory fees deducted directly from accounts;
- ❖ Access to an electronic communications network for order entry and account information; and,
- ❖ Access to mutual funds and ETFs with no transaction fees and to certain institutional money managers.

Direction of Transactions and Commission Rates (Best Execution)

We have a fiduciary duty to put your interests before our own. The advisory support services we receive from Fidelity creates an economic benefit to us and a potential conflict of interest to you; in that, our recommendation to custody your account(s) with Fidelity may have been

influenced by these arrangements/services. **This is not the case;** we have selected Fidelity as our custodian of choice based on:

1. Their competitive transaction charges, trading platform, and on-line services for account administration and operational support.
2. Their general reputation, trading capabilities, investment inventory, their financial strength, and our personal experience in working with Fidelity back office staff.

Since we do not recommend, suggest, or make available a selection of custodians other than Fidelity, **best execution may not always be achieved.**

Aggregating Trade Orders

Our objective in order execution is to act fairly, impartially, and to take all reasonable steps to obtain the best possible results (known as “best execution”) for our clients. Therefore, we typically bunch (aggregate) orders for a block trade when: (i) the bunching of orders is done for the purpose of achieving best execution; and, (ii) no client is systematically advantaged or disadvantaged by bunching the orders.

In consideration of these objectives, we will take into account the unique execution factors of the buy/sell order before bunching accounts for a block trade. A few of those factors are:

- ❖ **Security Trading Volume** - Bunching orders in a block trade can secure price parity and continuity for our clients during heavy trading activity.
- ❖ **Number of Clients** - The fewer the number of client accounts involved in the bunched order may not yield better pricing or order execution; it may be more advantageous to perform an individual market order for each client. In addition, preparing individual market orders, for the small number accounts involved, may be quicker to complete than preparing a bunch order.
- ❖ **Financial Instruments** - The type of security involved as well as the complexity of order can affect our ability to achieve best execution.

REVIEW OF ACCOUNTS

ITEM 13

Portfolio Management Reviews

Your investment strategies and investments are monitored by our Managing Members and reviewed on an on-going basis by the Investment Advisor Representative over your account. The general economy, market conditions, and/or changes in tax law can trigger more frequent reviews. Cash needs will be adjusted as necessary. Material changes in your personal/financial situation and/or investment objectives will require additional review and evaluation for us to properly advise you on revisions to previous recommendations and/or services. However, it is **your responsibility to communicate these changes** for us to make the appropriate corrections to your management account(s).

You will receive statements, at least quarterly, from Fidelity that identify your current investment holdings, the cost of each of those investments, and their current market values. We will offer to provide you with an investment activity and account performance report prepared by us which describe the returns realized on the investments in your account. You are encouraged to review the trading activities in your Fidelity statements with our portfolio appraisal that summarizes market conditions, your current holdings, and your account values. It

is important for you to review these documents for accurate reporting and to determine whether we are meeting your investment expectations.

CLIENT REFERRALS & OTHER COMPENSATION

ITEM 14

Other Compensation (Indirect Benefit)

The Company receives an indirect economic benefit from Fidelity (See “Custodial Services” above under Item 12, “**Brokerage Practices**” for more detailed information on these services and products could be.).

Retirement Rollover Compensation

Earning a management fee from recommending the rollover of retirement plan assets to an IRA we manage is considered “self-dealing” and prohibited unless we comply with a Best Interest Contract (“BIC”) Exemption available under the Department of Labor’s (“DOL”) Fiduciary Rule. The DOL considers earning a management fee “self-dealing” because it increases our compensation and profits while potentially disregarding the underlying costs paid by, and the services provided under, the retirement plan that might be more beneficial to you should your retirement assets remain with the plan. Therefore, when it comes to your retirement assets, there are typically four options you should consider when leaving an employer:

- ❖ Leave the account assets in the former employer’s plan, if permitted;
- ❖ Rollover the assets to the new employer’s plan, if one is available and rollovers are permitted;
- ❖ Rollover the assets to an Individual Retirement Account (an “IRA”); or,
- ❖ Cash out the retirement account assets (There may be tax consequences and/or IRS penalties depending on your age.).

Should you choose to rollover your retirement account assets to an individual IRA account, **you understand you are under no obligation to engage us to manage these assets... that you are free to take your IRA account anywhere to be managed.**

CUSTODY

ITEM 15

Management Fee Deduction

We do not take possession of or maintain custody of your funds or securities but will simply monitor the holdings within your portfolio and trade your account based on your stated investment objectives and guidelines. Physical possession and custody of your funds and/or securities are maintained with Fidelity. as indicated above in Item 12, “**Brokerage Practices.**”

We do however, meet the definition of custody since you have authorized us to deduct our advisory fees directly from your account. Therefore, to comply with the United States Securities and Exchange Commission’s Custody Rule (1940 Act Rule 206(4)-2) requirements, and to protect you as well as to protect our advisory practice, we have implemented the following regulatory safeguards:

- ❖ Your funds and securities will be maintained with a qualified custodian (Fidelity) in a separate account in your name.
- ❖ Authorization to withdraw our management fees directly from your account will be approved by you prior to engaging in any portfolio management services.

In addition, Fidelity is required by law to send you, at least quarterly, brokerage statements summarizing the specific investments currently held in your account, the value of your portfolio, and account transactions. **You are encouraged to compare the financial data contained in our report to the account statement from Fidelity to verify the accuracy of our reporting.**

INVESTMENT DISCRETION

ITEM 16

We have you complete our Investment Advisory Agreement which sets forth our discretionary trading authority to buy and sell securities in whatever amounts are determined to be appropriate for your account and whether such transactions are with, or without, your prior approval.

You may, at any time, impose restrictions, **in writing**, on our discretionary authority (i.e., limit the types/amounts of particular securities purchased for your account, etc.).

VOTING CLIENT SECURITIES

ITEM 17

We do not vote client proxies. You understand and agree that you retain the right to vote all proxies solicited for securities held in your managed accounts. The custodian of your managed accounts will mail you all proxy solicitations. Any proxy solicitations inadvertently received by us will be immediately forwarded to you for your evaluation and decision.

However, if you have specific questions regarding an action being solicited by the proxy that you do not understand, or you want clarification, you may contact us, and we will explain the particulars. **Keep in mind we will not advise you in a direction to vote; the ultimate decision on how you vote is your responsibility and left to you to decide.**

FINANCIAL INFORMATION

ITEM 18

We are not required to include financial information in our Disclosure Brochure since we will not take physical custody of client funds or securities or bill client accounts six (6) months or more in advance for more than \$1,200.

We are not aware of any current financial conditions that are likely to impair our ability to meet our commitments to you. In addition, the Company has not, nor have any of our officers and directors, been the subject of a bankruptcy petition at any time during the past ten years.

END OF DISCLOSURE BROCHURE