

## **Investment Adviser Brochure Part 2A**

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### **Item 1 – Cover Page & Introduction**

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This brochure provides information about the qualifications and business practices of Collaborative Wealth Management, Inc. If you have any questions about the contents of this brochure, please contact us at (407) 792-3336.

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or any state securities authority.

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

The use of the term registered investment adviser does not imply a certain level of skill or training.

### **Item 2 – Material Changes**

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The following is a summary of the material changes since the last update:

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## **Item 4 – Advisory Business**

Collaborative Wealth Management, Inc. (“the Adviser”) has been in business since 2007. Chad Justice is the principal owner.

### **Planning & Consulting Services**

The Adviser provides planning and consulting services consistent with a client’s goals, objectives, time horizon, tax status, and risk tolerance. The Adviser works with a client to develop a plan to address their tax concerns, life insurance, retirement, investment, and budgetary needs.

This involves gathering enough data to perform an analysis of a client’s cash flow, and cash management needs; in addition to the investment, tax, retirement income, estate/legacy planning requirements.

**Wealth Planning Services** are offered to clients with the most comprehensive and complex planning needs, often multi-generational. Their holdings will often consist of more diverse assets with some alternative and illiquid investments. These may include but are not limited to real estate, family businesses, employer granted stock options, and private investments. Wealth planning clients typically have a net worth starting at \$3,000,000.

**Comprehensive Planning Services** are offered to clients with comprehensive but less complex planning needs. Their holdings will primarily consist of conventional assets.

**Limited Planning Services** are offered to a client that needs or wants a specialized plan, which is limited to specific areas as agreed upon by the client and Adviser.

**Consulting Services** are offered to clients that don’t want or need a formal plan and the scope and areas addressed are as requested by the client.

### **Planning Conflicts of Interest**

There is a potential conflict of interest because there is an incentive for the Adviser offering planning services to recommend products or services for which the Adviser or an associated person may receive compensation. However, planning clients are under no obligation to act upon any recommendations of the Adviser or to execute any transactions through the Adviser or an associated person if they decide to follow the recommendations.

### **Investment Management Services**

The Adviser provides investment management services to its clients on a discretionary and non-discretionary basis. When the Adviser manages client assets on a discretionary basis, the Adviser executes securities transactions for clients without having to obtain specific client consent prior to each transaction. Discretionary authority is limited to investments within a client’s managed accounts.

When the Adviser manages client assets on a non-discretionary basis, the Adviser notifies the client and obtains permission prior to the sale or purchase of each security within the managed account. Clients may decide not to invest in certain securities or types of securities and may refuse to approve securities transactions.

The Adviser provides investment management services that include, among other things, advice regarding asset allocation and the selection of investments, portfolio design, investment plan implementation and ongoing investment monitoring. The Adviser relies on the stated objectives of the client and considers the client’s risk profile and financial status prior to making any recommendations.

### **Advisory Referral Services**

The Adviser maintains referral agreements with third-party asset managers (other independent investment advisers). The Adviser gathers information about a client’s financial and tax status and investment objectives in order to determine the client’s risk profile. Based on this analysis the Adviser assists the client in allocating assets among various third-party asset management programs.

The Adviser receives compensation for introducing clients to these third-party asset managers and for certain ongoing services provided to clients. These arrangements create a potential conflict of interest because the Adviser may have an incentive to refer a client to these third-party asset managers.

All third-party asset managers to whom the Adviser refers a client are licensed as investment advisers by their resident states and any applicable jurisdictions or by the Securities and Exchange Commission.

### **Assets Under Management**

As of December 31, 2018 the Adviser manages \$256,123,032 in client assets on a discretionary basis and \$4,818,922 on a non-discretionary basis.

## **Item 5 – Fees and Compensation**

### **Planning & Consulting Fees**

The Adviser charges clients an hourly fee for consulting services. Clients are billed at the rate of \$200 - \$400 an hour. Clients are charged a two-hour minimum for hourly services, which is due and payable upon signing an agreement. Additional fees are payable as services that exceed two hours are performed or when services are completed. This is determined by the scope of the project. The Adviser will regularly invoice clients for fees that are due and payable.

Fees for wealth planning services range from \$1,000 to \$10,000 dependent on the range and complexity of the services provided.

The Adviser provides planning clients with an estimate of the amount of time a plan will take, and upon signing an agreement the applicable fees are due.

The Adviser anticipates that the plan produced will be delivered within six months or sooner of the date of the agreement.

The Adviser considers fees for planning or a consulting project to be earned as progress is realized toward creation of the plan or completion of the service.

Clients will have a period of five (5) business days from the date of signing an agreement to unconditionally rescind the agreement and receive a full refund of all fees. Thereafter, either party may terminate the agreement prior to delivery of the plan with written notice. Upon termination, the Adviser will prorate fees to the date of termination and will refund any unearned portion of the fee.

### **Investment Management Fees**

The Adviser is compensated for investment management services based on a client's assets under management. Fees are paid quarterly in arrears and are non-negotiable. Fees are due on the first day of the calendar quarter, and are based on the account's asset value as of the last business day of the prior calendar quarter. Fees are prorated for accounts opened during the quarter. The Adviser deducts fees directly from client accounts.

### **Annualized Fees**

The account custodian may charge fees, which are in addition to and separate from advisory fees. Accounts may incur transaction costs, retirement plan administration fees, mutual fund annual expenses and other fees. Clients should note that fees for comparable services vary and lower or higher fees may be charged by different providers for similar services.

Clients will have a period of five (5) business days from the date of signing an advisory agreement to unconditionally rescind the agreement and receive a full refund of all fees. Thereafter, either party may terminate the advisory agreement with 30 days written notice.

Since fees are payable only after services are provided, there are no unearned fees and the client will not have a refund due upon early termination of the advisory agreement.

### **Advisory Referral Fees**

The compensation the Adviser receives from Third-party managers is disclosed in separate disclosure documents.

Compensation is typically equal to a percentage of the investment management fee charged by the third-party asset manager or a fixed fee. The disclosure document provided by the Adviser will clearly state the fees payable to the Adviser and whether the payment of the Adviser's fee will increase the total fees the client must pay to the third-party manager.

Since the compensation the Adviser receives may differ depending on the agreement with each third-party manager, the Adviser may have an incentive to recommend one third-party manager over another.

Fees paid by clients to independent third-party managers are established and payable in accordance with the ADV Part 2A brochure or other equivalent disclosure document of each independent third-party manager to whom the Adviser refers its clients and may or may not be negotiable. The facts and circumstances of negotiability are contained in the disclosure documents of each third-party manager.

Clients who are referred to third-party investment managers will receive a Part 2A brochure providing details of services rendered and fees to be charged. Clients will receive copies of the Adviser's and third-party investment managers' Parts 2A at the time of the referral.

In addition, if the Adviser recommends a wrap fee program, the client will also receive a wrap fee brochure provided by the sponsor of the program. The Adviser will provide to each client all appropriate disclosure statements, including disclosure of solicitation fees paid to the Adviser and its advisory associates.

### **Receipt of Additional Compensation**

Investment adviser representatives may receive brokerage or mutual fund trail commissions from the sale of securities, in their capacity as registered persons through LPL Financial, a registered broker-dealer, member of the Financial Industry Regulatory Authority, Inc. ("FINRA"), the Securities Investor Protection Corporation ("SIPC"), and a registered investment adviser.

This practice may present a potential conflict of interest as it provides an incentive to recommend investment products based on the compensation to be received rather than on the client's needs. The Adviser monitors trading practices and regularly reviews client securities transactions in order to protect clients against this conflict of interest.

Clients are advised that they are not required to purchase or sell securities through the investment adviser representatives acting in the capacity of registered persons through LPL Financial and may purchase the same securities or products from an unaffiliated broker-dealer.

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

The Adviser does not charge or receive, directly or indirectly, any performance-based fees.

## **Item 7 – Types of Clients**

The Adviser provides advisory services to:

- Individual—Trusts, estates, 401(k) plans and IRAs of a household count as one individual.
- High net worth individuals—An individual who is a "qualified client" under rule 205-3 of the Advisers Act of 1940 or is a "qualified purchaser".
- Business entities including sole proprietorships

### **Account Minimums**

The Adviser has an established household minimum of \$100,000 but certain exceptions may be provided by the Investment Advisor Representative.

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

### **Method of Analysis**

The Adviser's main sources of financial information are prospectuses, research materials prepared by others, corporate rating services, annual reports and company press releases. The Adviser may utilize official statements, continuing disclosures, and other information available through the MSRB's Electronic Municipal Market Access system (EMMA) when analyzing municipal securities.

### **Fundamental Analysis**

The Adviser uses fundamental analysis. Fundamental analysis involves predicting the price movement of an asset based on measures that are related to the underlying business. This method is used to judge the performance of management. (Although it is important to note that things outside of management's control can impact performance.) Comparing the margins of the company and its relative performance to that of two or three of its peers will give an idea of whether the performance is potentially outside of management's control.

### **Technical Analysis**

Technical analysis involves predicting the price movement of an asset based on factors unrelated to the underlying business (price, volume, and open interest, among other factors, to detect and interpret patterns to predict the movement of individual securities, an industry or the broad market).

Charting is a sub-sector of technical analysis and also focuses on predicting price movements of assets based on patterns that are formed by the price movements.

The Adviser may recommend one or a combination of assets and investment strategies as follows:

### **Mutual & Exchange Traded Funds**

The Adviser recommends index and actively managed, mutual and exchange traded funds when designing client portfolios. The Adviser considers index funds based on how closely the funds' characteristics mirror the indices they track.

The Adviser analyzes actively managed funds by comparing funds that target the same market sector and have the same investment style using prospectuses and other sources of information.

The Adviser reviews the following prior to recommending funds to clients:

- Rank in Category over various periods
- Return Rating
- Risk Rating
- YTD Return (Outsize swings in comparisons to peers can be a sign of risky practices such as placing large bets on certain sectors of the market.)
- 1 Yr Return
- 3 Yr Return
- 5 Yr Return (Typically over a five year period, the economy experiences a complete cycle. However, the way in which a manager operates in various economic environments reflects the manager's ability to make adjustments or stay the course.)
- Loads
- Total Expense Ratios
- Net Assets
- Turnover
- Median Market Capitalization

The Adviser also takes the manager or management team tenure under consideration to determine who was responsible for generating the performance numbers.

### **Public Equity**

A corporation may issue stock to the general public after registration. Stock represents an ownership interest in a company. The Adviser uses valuation measures and financial information, evaluates the regulatory environment, analyzes products or services that are available or under development and the factors that can impact them to predict the price movement of a company's stock. The Adviser also makes comparisons to the company's peers and to the broader market.

## **Corporate Debt & Municipal Securities**

The Adviser generally analyzes the current yield, yield to maturity, yield to call, call and default risks, and interest coverage.

Debt is issued by federal, state and foreign governments and corporations to finance their operations. Debt represents their promise to repay the borrowed amount with interest according to the terms and conditions of the debt instrument. Debt obligations offer limited participation in the upside of a business. In exchange holders receive interest and a position that is generally senior to equity in a bankruptcy.

## **Private Securities**

Some securities are acquired in unregistered, private sales from the issuer or from an affiliate of the issuer typically through Regulation D or other private placement offerings or employee stock benefit plans as compensation for professional services, or in exchange for providing start-up capital. The Adviser reviews the applicable offering documents. The Adviser may analyze:

- Management structure
- Backgrounds of management personnel
- Management and director compensation
- Financial statements
- Regulatory environment
- Competitors
- Products and services differentiators
- Threats to a company's ability to execute its business plan

In the case of pooled investments the Adviser may also analyze:

- Allocation of profits, losses and taxes
- Custody of securities and cash
- Lock-up period or any limitations towards the redemption of interest
- Exemptions from registration and types of investors
- Investment strategy, objective and the use of leverage
- Conflicts and potential conflicts of interest
- Performance information Gross or net and how calculated
- Valuation particularly of illiquid securities and hard assets

## **Investment Strategies**

The Adviser works with each client to design an appropriate investment strategy based on their financial and tax status, risk tolerance and investment objectives. The Adviser usually recommends investment strategies for the long-term, but may occasionally recommend short-term investment and hedging strategies. The Adviser generally recommends a target asset mix with periodic re-balancing.

## **Risk of Loss**

Clients are advised that investing in securities involves the risk of loss of the entire principal amount invested including any gains. Clients should not invest unless they are able to bear this risk. Any of the above investment strategies may lead to a loss on investments.

Even hedging strategies may fail if markets move against the hedged investments. In addition, investing carries with it opportunity risk. It is impossible to accurately predict the sectors of the market or asset classes that will have more favorable returns for a given period.

## **Item 8.A – Frequent Trading of Securities**

The Adviser is not involved in the frequent trading of securities.

## **Item 8.B – Material Risks of Particular Securities**

The Adviser doesn't recommend any type of security that involves significant or unusual risks except for the following which may present material risks to investors:

### **Municipal securities**

Municipal securities are backed by either the full faith and credit of the issuer or by revenue generated by a specific project (like a toll road or parking garage) for which the securities were issued. The latter type of securities could quickly lose value or even become virtually worthless if the expected project revenue does not meet expectations.

### **Real Estate Investment Trusts ("REITs")**

An REIT is a tax designation for a corporation investing in real estate that reduces or eliminates corporate income taxes. A REIT is a corporation, business trust, or association managed by one or more trustees or directors who pool the resources of individual investors for passive investment in real estate. In return, REITs are required to distribute 90% of their income to investors so they have the potential to be good for investors that seek a steady income from their investments.

REITs typically receive special tax considerations and offer investors high yields. Individuals can invest by purchasing shares directly on an open exchange or by investing in a mutual fund that specializes in public real estate; so REITs can be highly liquid.

REIT investing is not without risk. Real estate construction projects have a long time-line which can result overbuilding of types of properties owned by REITs. Higher interest rates may increase borrowing costs for construction, financing of the purchase of REIT owned properties and operating costs for existing REIT owned business properties. Any of these events may cause a substantial decline in the value of REIT investments.

Clients should consult the Adviser if they have questions concerning the basic characteristics of these or other investment products or about the risks and potential rewards of investing.

## **Item 9 – Disciplinary Information**

The Adviser does not have any disciplinary information to disclose.

### **Item 9.A – Criminal or Civil Actions**

Neither the Adviser nor any management person has been found guilty of or has any criminal or civil actions pending in a domestic, foreign or military court.

### **Item 9.B – Administrative Proceedings**

Neither the Adviser nor any management person has any administrative proceedings pending before the SEC, any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority.

### **Item 9.C – Self-Regulatory Organization ("SRO") Proceedings**

Neither the Adviser nor any management person has been found by any SRO to have caused an investment-related business to lose its authorization to do business, or to have been involved in a violation of the SRO's rules, or been barred or suspended from membership or from association with other members, or expelled from membership, otherwise significantly limited from investment-related activities, or fined.



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

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### **Item 10.A – Broker-Dealer Registration**

Certain associated persons of the Adviser are registered persons through LPL Financial. In these capacities, associated persons may recommend securities or other products and receive normal transaction fees, commissions or other compensation. Thus, a conflict of interest may exist between the interests of the associated persons and those of advisory clients.

Clients are under no obligation to act upon any recommendations of associated persons or affect any transactions through associated persons if they decide to follow their recommendations.

### **Item 10.B – Futures Commission Merchant/Commodities**

Neither the Adviser nor any management person is a commodity broker/futures commission merchant, a commodity pool operator, commodity trading advisor or an associated person for the foregoing entities; nor do they have any registration applications pending.

### **Item 10.C – Relationships with Related Persons**

In addition, to being registered persons of LPL Financial, certain associated persons are insurance agents appointed with various insurance companies.

In these capacities associated persons of the Adviser may recommend securities, insurance, advisory services, or other products, and receive commissions and other compensation if products are purchased through any firms with which any associated persons are affiliated. Thus, a potential conflict of interest exists between the interests of associated persons and those of the advisory clients. However, clients are under no obligation to act upon any of their recommendations or execute any transactions through them if they decide to follow their recommendations.

### **Item 10.D – Relationships with Other Advisers**

Neither the Adviser nor any of its management persons have any other material relationships or conflicts of interest with any related financial industry participants other than those discussed above.

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

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### **Item 11.A – Code of Ethics**

The Adviser has adopted a Code of Ethics that sets forth standards of conduct expected of advisory personnel and to address conflicts that arise from personal trading by advisory personnel. Advisory personnel are obligated to adhere to the Code of Ethics, and applicable securities and other laws.

The Code covers a range of topics that may include: general ethical principles, reporting personal securities trading, exceptions to reporting securities trading, reportable securities, initial public offerings and private placements, reporting ethical violations, distribution of the Code, review and enforcement processes, amendments to Form ADV and supervisory procedures. The Adviser will provide a copy of the Code to any client or prospective client upon request.

## **Item 11.B – Participation or Interest in Client Transactions**

### **Principal Trading**

Neither the Adviser nor any affiliated broker-dealer affects securities transactions as principal with the Adviser's clients. Neither the Adviser nor any associated person acting as a principal, buys securities from (or sells securities to) clients, acts as general partner in a partnership in which Adviser solicits client investments, or acts as an investment adviser to an investment company that the Adviser recommends to clients.

### **Personal Trading of Associates Affiliated with a Brokerage Firm**

In their capacity as registered persons through LPL Financial, associated persons of the Adviser may receive payments from certain mutual funds distributed pursuant to a 12b-1 distribution plan, or other such plans, as compensation for administrative services, representing a separate financial interest. As such, a conflict of interest may exist with respect to recommendations to buy or sell securities.

In all cases, recommendations are made in the best interests of the client. The Adviser does not permit insider trading and has implemented procedures to ensure that its policy regarding insider trading is being observed by associated persons.

### **Agency-Cross Action Transactions**

Neither the Adviser nor any associated person recommends that clients buy from or sell securities to other clients.

## **Item 11.C – Personal Trading by Associated Persons**

The Adviser recommends that clients invest in various types of assets. The Adviser and its associated persons may invest in the same types of assets. Permitted investments for associated persons are all asset classes.

See Item 11.D for conflicts of interest.

## **Item 11.D – Conflicts of Interest with Personal Trading by Associated Persons**

Associated persons may own an interest in or buy or sell for their own accounts the same securities, which may be recommended to advisory clients. Associated persons seek to ensure that they do not personally benefit from the short-term market effects of their recommendations to clients and their personal transactions are regularly monitored.

Associated persons are aware of the rules regarding material non-public information and insider trading. Associated persons may also buy or sell a specific security for their own account based on personal investment considerations, which the Adviser does not deem appropriate to buy or sell for clients.

## **Item 12 – Brokerage Practices**

### **Item 12.A – Factors in Selecting or Recommending Broker-Dealers**

Associated persons in their capacity as registered persons through LPL Financial may suggest that clients implement recommendations through LPL Financial. If the client so elects, associated persons would receive normal and customary commissions in their capacities as registered persons of LPL Financial presenting associated persons with a conflict of interest.

Additionally, Transition Assistance payments and other benefits are provided to associated persons of the Adviser in their capacity as registered representatives of LPL Financial. However, the receipt of Transition Assistance by such Dually Registered Persons creates conflicts of interest relating to the Adviser's advisory business because it creates a financial incentive for the Adviser's associated persons to recommend that its clients maintain their accounts with LPL Financial. In certain instances, the receipt of such benefits is

dependent on a Dually Registered Person maintaining its clients' assets with LPL Financial and therefore the Adviser has an incentive to recommend that clients maintain their account with LPL Financial in order to generate such benefits.

The Adviser attempts to mitigate these conflicts of interest by evaluating and recommending that clients use LPL Financial's services based on the benefits that such services provide to our clients, rather than the Transition Assistance earned by any particular Dually Registered Person.

The Adviser considers client holdings, efficiency of execution and error resolution, block trading and block positioning capabilities, special execution capabilities, willingness to execute related or unrelated difficult transactions, on-line access to computerized data regarding client accounts, the competitiveness of commission rates in comparison to other brokers satisfying the Adviser's other selection criteria and other matters involved in the receipt of brokerage services when recommending or requiring that clients maintain accounts with LPL Financial. However, clients should be aware of this conflict and take it into consideration in making a decision whether to custody their assets in a brokerage account at LPL Financial.

Clients may pay commissions or fees that are higher or lower than those that may be obtained elsewhere for similar services. Clients are advised that they are under no obligation to implement recommendations through the associated persons or use LPL Financial as their custodian.

### **Item 12.A1 – Research and Other Soft Dollar Benefits**

The Adviser does not receive soft dollars generated by the securities transactions of its clients. The term "soft dollars" refers to funds which are generated by client trades being used by the Adviser to purchase products or services (such as research and enhanced brokerage services) from or through the broker-dealers whom the Adviser engages to execute securities transactions.

### **Item 12.A2 – Brokerage for Client Referrals**

The Adviser does not refer clients to particular broker-dealers in exchange for client referrals from those broker-dealers.

### **Item 12.A3 – Directed Brokerage**

The Adviser does not recommend or require that clients direct their brokerage business to any particular broker-dealer.

### **Item 12.B – Trade Aggregation**

The Adviser primarily recommends and invests client assets in open-end mutual funds and ETFs. The Adviser's investment strategies do not present an opportunity to aggregate trades.

## **Item 13 – Review of Accounts**

Mr. Justice and advisory associates perform reviews of all investment advisory accounts no less than annually but as frequently as quarterly depending on the clients needs and situation. They review accounts for consistency with the investment strategy and performance chosen by clients (among other things). Reviews may be triggered by changes in an account holder's personal, tax or financial status. Macroeconomic and company specific events may also trigger reviews. There is currently no limit on the number of accounts that can be reviewed by an associate or Mr. Justice.

Advisory account statements are generated no less than quarterly. These statements are sent directly to the account owner from their broker-dealer, product sponsors, custodian or retirement plan administrators. These reports list the account positions, activity in the account over the covered period, and other related information. Clients are also sent confirmations following each brokerage account transaction.

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

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The Adviser does not have an arrangement under which it or its associated persons compensate others for client referrals. See Item 4 for information about referral arrangements.

## **Item 15 – Custody**

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Client assets are held by qualified custodians. The Adviser maintains custody of client funds and/or securities by virtue of having one or more Standing Letters of Instruction ("SLOA") from clients of the Adviser. SLOAs provide investment advisers with the authority to disburse client funds to one or more third parties as specifically designated by the client.

Clients instruct account custodians to accept the Adviser's instructions (on the client's behalf) to move money to third parties designated by the client in the SLOA. The Adviser's authority is strictly limited by the terms of that instruction and the client retains full power to change or revoke the arrangement at any time.

The SEC has determined that under these circumstances, the Adviser retains custody of client assets.

The Adviser will periodically review fund transfer authorizations from client accounts and wire transfer destination information to ensure that transfers conform to the authority granted in the SLOAs.

## **Item 16 – Investment Discretion**

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The Adviser will have discretion over the selection and amount of securities to be bought or sold without obtaining specific client consent. The Adviser will not have discretion over the selection of the broker to be used or the commission rates to be paid.

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

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The Adviser does not accept authority to vote proxies on behalf of clients as a matter of policy. Clients will receive their proxy information directly from their custodian.

Clients may contact the Adviser with questions about a particular solicitation by telephone at (407) 792-3336.

## **Item 18 – Financial Information**

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There is no financial condition that is reasonably likely to impair the Adviser's ability to meet its contractual commitments to its clients. The Adviser anticipates that the planning process will be completed within six months or sooner of the date of the agreement. The Adviser considers fees for planning or consulting services to be earned as services are provided.