

# **Barnes·Pettery Financial Advisors, LLC**

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## **FORM ADV PART 2A BROCHURE**

This brochure provides information about the qualifications and business practices of Barnes·Pettery Financial Advisors, LLC. If you have any questions about the contents of this brochure, contact us at 662-627-2225. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Barnes·Pettery Financial Advisors, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Financial Advisors, LLC is a registered investment adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

## Item 2 Summary of Material Changes

Form ADV Part 2 requires registered investment advisers to amend their brochure when information becomes materially inaccurate. If there are any material changes to an adviser's disclosure brochure, the adviser is required to notify you and provide you with a description of the material changes.

This section describes all material changes to Barnes-Petty Financial Advisors, LLC's Part 2A of Form ADV ("Firm Brochure") since its annual update January 19, 2017. This Firm Brochure, dated March 22, 2018 has been prepared according to the U.S. Securities and Exchange Commission's ("SEC") disclosure requirements.

1. The advisory fees for PASSPORT Accounts has changed. See Item 4, Advisory Business, PASSPORT section below.
2. We are disclosing for the IMPAC and PASSPORT accounts there has been a change in the Processing Fee for the execution of each trade, which the new Processing Fees are disclosed in Item 4, Advisory Business.
3. Select fund companies ("Participating Funds") have agreed to pay Raymond James administrative fees. For certain mutual fund purchases, Raymond James may use such fees to credit back the Processing Fee charged to Clients' accounts, as required by applicable law. Select fund companies have agreed to pay marketing service and support fees to Raymond James ("Partner Funds"). "Non-Partner Funds" do not participate in Raymond James' Education and Marketing Support program. Processing Fees are applied to purchases of Partner and Non-Partner Funds.
4. We are disclosing Raymond James assesses advisory fees on cash sweep balances and money market funds ("cash") held in Passport and IMPAC accounts.
5. In preparation for the June 9, 2017 applicability for the DOL's Fiduciary Rule, Raymond James modified its policy with respect to the designation of Administrative-Only assets and how asset-based advisory fees are assessed to accounts that hold these assets. Effective July 1, 2017, clients are unable to designate assets as Administrative-Only in their retirement accounts. In addition, effective as of the July 2017 quarterly billing, accounts that hold Administrative-Only assets no longer have the value of these assets included in the relationship value used to calculate the advisory fee.
6. As a registered investment adviser, we have access to the institutional platform of your account custodian. As such, we will also have access to research products and services from your account custodian and/or other brokerage firm. These products may include financial publications, information about particular companies and industries, research software, and other products or services that provide lawful and appropriate assistance to our firm in the performance of our investment decision-making responsibilities. Such research products and services are provided to all investment advisers that utilize the institutional services platforms of these firms, and are not considered to be paid for with soft dollars. However, you should be aware that the commissions charged by a particular broker for a particular transaction or set of transactions may be greater than the amounts another broker who did not provide research services or products might charge.
7. As a registered investment adviser, we receive economic benefits as we have access to the institutional platform of your account custodian. As such, we will also have access to software, execution services and research products and services from your account custodian and/or other brokerage firms. These products may include financial publications, information about particular companies and industries, research software, and other products or services that provide lawful and appropriate assistance to our firm in the performance of our investment decision-making

responsibilities. Such research products and services are provided to all investment advisers that utilize the institutional services platforms of these firms, and are not considered to be paid for with soft dollars. However, you should be aware that the commissions charged by a particular broker for a particular transaction or set of transactions may be greater than the amounts another broker who did not provide research services or products might charge.

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## Item 4 Advisory Business

Barnes-Petty Financial Advisors, LLC is a registered investment adviser based in Clarksdale, Mississippi. We also maintain branch offices in Grenada, Oxford, and Jackson, Mississippi, and Memphis Tennessee. We are organized as a limited liability company under the laws of the State of Mississippi and we have been providing investment advisory services since 2007. Dudley M. Barnes and Holmes S. Petty are indirect owners of Barnes-Petty Financial Advisors, LLC.

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, our Associated Persons are our firm's officers, employees, and all individuals providing investment advice on behalf of our firm. We refer to Associated Persons who provide investment advice as Investment Adviser Representatives ("IARs") or Advisory Representatives throughout this Brochure. As used in this brochure, the words "we", "our" and "us" refer to Barnes-Petty Financial Advisors, LLC and our IARs. The words "you", "your" and "client" refer to you as either a client or prospective client of our firm.

Certain persons affiliated with our firm are also registered representatives of Raymond James Financial Services, Inc. ("RJFS"), a wholly owned subsidiary of Raymond James Financial, Inc. RJFS is a broker-dealer and member firm of the Financial Industry Regulatory Authority, Inc. ("FINRA") and the Securities Investors Protection Corporation ("SIPC"). RJFS is primarily in the business of selling securities and other investments including annuity, fixed and life insurance products.

RJFS is also affiliated with Raymond James & Associates, Inc. ("RJA"), a broker-dealer (member NYSE/SIPC) and an investment adviser registered with the Securities and Exchange Commission ("SEC"). References to Raymond James throughout this document indicates a combination of companies referenced above and/or that are part of the Raymond James Financial, Inc., family.

We provide analysis and recommendations involving a broad range of personal concerns based on your individual needs and circumstances. An important aspect of this service involves giving advice on the selection and management of investments. Based upon your objectives, guidelines and financial situation we may determine that you are suitable for investment management as discussed below.

### **Investment Management Program for Advisory Clients (IMPAC)**

Our Company offers the Investment Management Program for Advisory Clients ("IMPAC"), a fee based account in which you are provided with ongoing investment advice and monitoring of securities holdings. We will manage the account on a non-discretionary basis (or discretionary, provided that certain qualifications are met). You will be provided with ongoing investment advice and monitoring of your securities holdings.

IMPAC offers you the ability to pay an asset based advisory fee and a nominal process fee in lieu of a commission for each transaction.

Clients will be charged according to one of the following two negotiable fee schedules:

<b>Account Value</b>	<b>Annualized Fee**</b>
First \$200,000	1.25%
Next \$800,000	1.00%
Next \$1,000,000	0.75%
Next \$1,000,000	0.65%
Next \$1,000,000	0.55%

Next \$1,000,000	0.50%
Over \$5,000,000	0.40%

\*\* The fee schedule is blended meaning that you will be charged the corresponding fee based upon the value of your account at each tier.

<b>Account Value</b>	<b>Annualized Fee**</b>
0 - \$200,000	1.25%
\$200,000 - \$1,000,000	1.00%
\$1,000,000 - \$2,000,000	0.75%
\$2,000,000 - \$3,000,000	0.65%
\$3,000,000 - \$4,000,000	0.55%
\$4,000,000 - \$5,000,000	0.50%
Over \$ 5,000,000	0.40%

\*\*The entire balance will be charged a flat fee based on the above fee schedule.

There is a minimum investment of \$25,000 for IMPAC Accounts.

## **PASSPORT**

Our Company offers the PASSPORT Account ("PASSPORT"), an investment advisory account, administered by RJA, primarily on a non-discretionary basis (or discretionary, provided certain qualifications are met). You will be provided with ongoing investment advice and monitoring of your securities holdings. PASSPORT offers you the ability to pay an asset based advisory fee and a nominal processing fee also described as a transaction charge) in lieu of commissions for each transaction.

The advisory fees for PASSPORT Accounts are as follows:

Passport Fee Investments:

<b>Account Value</b>	<b>Annual Fee</b>
Up to \$1,000,000	2.25%
\$1,000,000 to \$2,000,000	2.00%
\$2,000,000 to \$5,000,000	1.75%
\$5,000,000 to \$10,000,000	1.50%
\$10,000,000 and up	1.25%

\*\* New Fees apply to accounts opened after September 3, 2013

Fees may be negotiable.

## **AMBASSADOR ACCOUNT PROGRAM**

The Ambassador program is a wrap fee investment advisory account offered and administered by RJA. Your IAR will manage your account on a discretionary (provided certain qualifications are met) or non-discretionary basis according to your objective. Ambassador offers you the ability to pay an asset-based advisory fee which includes transaction costs within the advisory fee in lieu of a commission for each investment transaction within the account. RJA receives a portion of the fee.

Fees are retroactive and are as follows:

Fee Based Relationship Value	Annualized Fee
Up to \$1 million	2.25%
\$1 million up to \$2 million	2.00%
\$2 million up to \$5 million	1.75%
\$5 million up to \$10 million	1.50%
\$10 million and up	1.25%

The minimum account size is \$25,000. and fees may be negotiable.

The annual asset-based fees associated with the aforementioned account programs are typically payable 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 Value as of the last business day of the previous calendar quarter, and becomes due the following business day.

If cash or securities, or a combination thereof, are deposited to or withdrawn from a client's account on an individual business day in the first two months of the quarter, Raymond James will: (i) assess asset-based fees based on the value of the assets on the date of deposit for the pro rata number of days remaining in the quarter, or (ii) refund prepaid asset-based fees based on the value of the assets on the date of withdrawal for the pro rata number of days remaining in the quarter. Please see the Raymond James Wrap fee Program Brochure for more information on this program or other Raymond James account programs listed herein.

## **Terms and Conditions for IMPAC and PASSPORT**

The annual asset-based fee is paid quarterly in advance or arrears. 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. For accounts billed in arrears, the asset-based fee is calculated on the account asset value on the last business day of the quarter for the previous quarter. If cash or securities, or a combination thereof, amounting to at least \$100,000, are deposited to or withdrawn from your account, on an individual business day (in the first two months of the quarter for Passport accounts), Raymond James, will (optional for IMPAC): (1) assess asset based fees on the date of deposit for the pro rata number of days remaining in the quarter, or (ii) refund pre-paid asset based fees based on the value of assets on the date of the withdrawal for the pro-rata days remaining in the quarter. For Passport accounts, no additional asset based fees or adjustments to previously assessed asset based fees will be made in connection with deposits or withdrawals that occur during the last month of the quarter unless requested by you. Other fees adjustments may be made at our or RJFS' sole discretion based on, but not limited to, factors such as the source and destination of deposits and withdrawals.

You authorize and direct RJA as Custodian to deduct asset-based fees from your account; you further authorize and direct the Custodian to send a statement of securities, in custody, at least quarterly to you which show all amounts disbursed from your account, including fees paid to us. The brokerage statement will show the amount of the asset-based fee.

For purposes of calculating and assessing asset-based fees, we use the term "Account Value", which may be different than the asset value as reported on brokerage statements provided by RJFS. Pursuant to our advisory agreement, Account Value is defined as the total absolute value of the securities in the Account, long or short, plus all credit balances, with no offset for any margin or debit balances.

The asset-based fees associated with the IMPAC account include all execution and clearing charges except: (1) certain dealer-markups and odd lot differentials, transfer taxes, exchange fees mandated by the Securities and Exchange Act of 1934 and any other charges imposed by law with regard to any transactions in the account; and (2) offering concessions and related fees for purchases of public offerings of securities as more fully disclosed in the prospectus.

Additionally, there is nominal \$15.00 transaction charge, hereinafter referred to as the "Processing Fee," in lieu of a commission for each transaction, with the exception of certain Non-Partner Mutual Fund purchases described below.

Select fund companies ("Participating Funds") have agreed to pay Raymond James administrative fees. For certain mutual fund purchases, Raymond James may use such fees to credit back the Processing Fee charged to Clients' accounts, as required by applicable law. Select fund companies have agreed to pay marketing service and support fees to Raymond James ("Partner Funds"). "Non-Partner Funds" do not participate in Raymond James' Education and Marketing Support program. Processing Fees are applied to purchases of Partner and Non-Partner Funds.

The Processing Fee for Non-Partner Fund purchases (excluding those Non-Partner Fund purchases made in non-taxable accounts, e.g. ERISA Plans, IRAs, and certain other tax-deferred vehicles, which will be subject to the \$15.00 fee noted above) is \$40.00. Please note that funds may change their Participating, Partner or Non-Partner status at any time; you should consult with your IAR to verify the funds' status periodically. You may request a list of Participating Funds and Partner Funds from your IAR.



There are no transaction charges for mutual fund redemptions.

You 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, interest charges on margin loans, and fees for legal or courtesy transfers of securities.

You may terminate the client agreement at any time upon providing written notice pursuant to the provisions of the agreement. There is no penalty for terminating your account. Upon termination, you will receive a refund of the portion of the prepaid asset-based fee which is not utilized for accounts billed in advance. For accounts billed in arrears, you may be charged a fee pursuant to the number of days the account was managed for the current quarter.

## **OTHER COMPENSATION CONSIDERATIONS**

### **Administrative-Only Assets-**

Certain securities may be held in your advisory account and designated "Administrative-Only Investments." There are two primary categories of Administrative-Only Investments: Client-designated and Raymond James-designated. Client-designated Administrative-Only Investments may be designated by financial advisors that do not wish to collect an advisory fee on certain assets, while Raymond James-designated Administrative-Only assets are designated as such by Raymond James in conformance with internal policy. For example, a financial advisor may make an arrangement with a client that holds a security that the financial advisor did not recommend or the client wishes to hold for an extended period of time and does not want their financial advisor to sell for the foreseeable future. In such cases the financial advisor may elect to waive the advisory fee on this security, but allow it to be held in the client's advisory account - such designations fall into the Client-designated category. Alternatively, we may determine that certain securities may be held in an advisory account but are temporarily not eligible for the advisory fee (such as for mutual funds purchased with a front-end sales charge through Raymond James within the last two years, new issues and syndicate offerings). Assets designated by us as temporarily exempt from the advisory fee fall into the Raymond James-designated category.

PLEASE NOTE: Due to Department of Labor ("DOL") regulations, the designation of Client-designated Administrative-Only assets and the maintenance of such positions in the client's account are not permissible in DOL-impacted retirement accounts (such as IRAs and employer sponsored retirement plans). The underlying premise of this prohibition is that the maintenance of assets in an advisory account that are not being assessed an advisory fee introduces a potential conflict that the financial advisor's advice may be biased as a result of their not being compensated on this asset. As a result, the financial advisor may recommend a course of action in their and not the client's best interest (such as selling the security to increase the financial advisor's compensation). We have elected to preserve the ability for clients and their financial advisors to designate assets as Client-designated Administrative-Only in their non-DOL-impacted accounts in order to maintain client choice and avoid the need to maintain a separate account to hold these securities or cash. Nevertheless, while we cannot accommodate this level of flexibility in DOL-impacted retirement accounts, clients can choose to maintain securities or cash in their brokerage account that they do not wish to be assessed an advisory fee.

### **Asset-Based Fee Aggregation**

Participants in the PASSPORT, IMPAC and Ambassador programs may be entitled to a discounted asset-based fee if they maintain one or more related accounts within these programs.

Related Accounts are accounts of an individual, his or her spouse, and their children under the age of twenty-one. The term includes individually owned accounts, individual retirement accounts (IRAs), self-directed accounts (i.e., directed by individual participants) under an employee benefit plan (ERISA plan) and ERISA plan accounts in which an individual is the sole participant. Thus, Related Accounts of the PASSPORT, IMPAC and Ambassador programs may be aggregated for advisory fee purposes, so that each account will pay a fee that is calculated on the basis of the total of all Related Accounts. It is your responsibility to include all Related Accounts for purposes of qualifying for an aggregated account fee discount. While we may attempt to identify related accounts, we will not be held responsible for failing to consider any related accounts not listed by you.

### **Billing on Cash Balances**

Raymond James assesses advisory fees on cash sweep balances and money market funds ("cash") held in Passport and IMPAC accounts.

Billing on cash balances, particularly when the cash balance is maintained for an extended period of time or comprises a significant portion of the Account Value, may create a financial incentive for a financial advisor to recommend maintenance of this cash versus investing in an otherwise advisory fee-eligible security. For example, it's generally expected that the advisory fee will be higher than the interest a client will earn on this cash balance through their sweep account or the return earned on money market funds, so the client should expect to achieve a negative return on this portion of their account, although such cash balances will not be subject to market risk (that is, risk of loss) typically associated with securities investments. As a result, clients should periodically re-evaluate whether their maintenance of a cash balance is appropriate in light of their financial situation and investment goals, and should understand that this cash may be held outside of their advisory account and not be subject to advisory fees. For cash sweeps in IRAs and ERISA plans, Raymond James uses its bank affiliate exclusively as a depository. Please see "Investment of Cash Reserves" below for additional information on cash sweep options.

### **Investment of Cash Reserves**

Raymond James has established a system in which cash reserves "sweep" daily to and from your investment account to cover purchases or to allow excess cash balances to immediately begin earning interest, subject to certain minimum balances. The account in which these cash reserves are held is considered the client's sweep account. Available sweep options include the Raymond James Bank Deposit Program ("RABID"), the Client Interest Program ("CIP") sponsored by Raymond James, and a proprietary class of money market funds (the "Eagle Class - JP Morgan Money Market Funds") of the JP Morgan Prime Money Market Fund and JP Morgan Tax Free Money Market Fund, managed by J.P. Morgan Investment Management, Inc. ("J.P. Morgan") and offered by Eagle. Clients may select RJBDP, CIP, the Eagle Class - JP Morgan Money Market Funds, or any combination thereof.

With respect to cash reserves of advisory client accounts, the custodian of the account assets will determine where cash reserves are held. The custodian may offer one or multiple options to different account types (such as non-taxable and managed accounts). In addition, the custodian may, among other things, consider terms and conditions, risks and features, conflicts of interest, current interest rates, the manner by which future interest rates will be determined, and the nature and extent of insurance coverage (such as deposit protection from the Federal Deposit Insurance Corporation ("FDIC") and Securities Investor Protection Corporation ("SIPC")). The custodian may change an investment option at any time by providing you with thirty (30) days advance written notice of such change, modification or amendment.

If you select the RJBDP option, you are responsible for monitoring the total amount of deposits held at each Bank in order to determine the extent of FDIC insurance coverage available. Raymond James is not responsible for any insured or uninsured portion of your deposits at any of the Banks.

Raymond James Bank and the interest rate it offers may differ from the yield on the Eagle Class - JP Morgan Money Market Funds and CIP, but Raymond James Bank generally earns more than the interest it pays on such balances. The Eagle Class - JP Morgan Money Market Funds are offered by Eagle through an agreement with J.P. Morgan. Under the agreement, Eagle, Eagle Fund Services, Inc. and Eagle Fund Distributors, Inc. (together, the "Eagle Affiliates"), and Raymond James and its affiliate RJFS are compensated by the Eagle Class - JP Morgan Money Market Funds and J.P. Morgan for, among other things, distribution costs, shareholder record-keeping activities, and the coordination and administration of the funds. Raymond James generally earns a higher rate of interest on CIP balances than the interest rate it pays on such balances. The income earned by the Eagle Affiliates and Raymond James is in addition to the asset-based fees that Raymond James receives from these accounts.

Where an unaffiliated third party acts as custodian of account assets, you and/or the custodian will determine where cash reserves are held.

Cash balances arising from the sale of securities, redemptions of debt securities, dividend and interest payments and funds received from you are transferred automatically on a daily basis to the your cash sweep account. When securities are sold, funds are deposited on the day after settlement date. Funds placed in your account by personal check usually will not be transferred to the sweep account until the second business day following the day that the deposit is credited to your investment account. Due to the foregoing practices, Raymond James may obtain federal funds prior to the date that deposits are credited to your investment account and thus may realize some benefit because of the delay in transferring such funds to their interest-bearing cash sweep account.

#### **Additional Expenses Not Included in the Asset-Based Advisory Fee**

You may also incur charges for other account services provided by Raymond James not directly related to the advisory, execution, and clearing services provided including, but not limited to, IRA custodial fees, safekeeping fees, charges/interest for maintenance of margin and/or short positions, and fees for legal or courtesy transfers of securities.

**BPFA makes its best effort to invest in the lowest cost share class available on the Raymond James platform when investing in mutual funds. From time to time, the best available share class is a class that pays a 12b-1 fee. BPFA and your representative do not retain 12b-1 fees paid by funds for either qualified or non-qualified accounts. BPFA has a policy that 12b-1 fees be credited back to the customers' advisory accounts (qualified and non-qualified) when paid to advisors.**

You should understand that the annual advisory fees charged in the PASSPORT and IMPAC programs are in addition to the management fees and operating expenses charged by open-end, closed-end and exchange- traded funds. To the extent that you intend to hold fund shares for an extended period of time, it may be more economical for you to purchase fund shares outside of these programs. You may be able to purchase mutual funds directly from their respective fund families without incurring an advisory fee. When purchasing directly from fund families, you may incur a front or back-end sales charge.

You should also understand that the shares of certain mutual funds offered in these programs may impose short-term trading charges (typically 1%-2% of the amount originally invested) for redemptions generally made within short periods of time. These short-term charges are imposed by the funds to deter "market timers" who trade actively in fund shares. You should consider these short-term trading

charges when selecting the program and/or mutual funds in which they invest. These charges, as well as operating expenses and management fees, may increase the overall cost to you by 1%-2% (or more). More information is available in each fund's prospectus.

You should be aware that exchange traded funds ("ETFs") incur a separate management fee, typically 0.20%-0.40% of the fund's assets annually (although individual ETFs may have higher or lower expense ratios), which is assessed by the fund directly. This management fee is in addition to the ongoing advisory fee assessed us, and will generally result in clients which utilize an SMA Manager or Investment Strategy that invests in ETFs paying more than clients utilizing one that does not invest in ETFs, without taking into effect negotiated asset-based fee discounts, if any.

Certain ETFs may be classified as partnerships for U.S. federal income tax purposes, which may result in unique tax treatment, including Schedule K-1 reporting. Prospective or existing RJCS, EHNW, Freedom or Freedom UMA clients should consult their tax adviser for additional information regarding the tax consequences associated with the purchase, ownership and disposition of such investments. Additional information is also available in the ETF prospectus, which is available upon request.

Alternative Investments refers to securities products that serve as alternatives to more traditional asset classes and may include investment products such as hedge funds, private equity funds, private real estate funds and structured products. Advisory representatives that are also registered representatives of RJFS may offer you a wide range of alternative investments. It is important for you to work with our Company to evaluate how a particular alternative investment and its features fit your individual needs and objectives. An important component of the selection process includes carefully reading the accompanying offering documents and/or prospectus prior to making a purchase decision. The offering documents contain important information that will help you make an informed choice.

As part of the review process, you should consider the fees and expenses associated with a particular alternative investment, along with the fact that advisory representatives that are also registered representatives of RJFS receive compensation related to any such purchase. It is important to note that the fees and expenses related to alternative investments are often higher than those of more traditional investments. We will answer any questions regarding the applicable fees and expenses and the initial and ongoing compensation.

While each investment will differ in terms of both total fees and expenses and how those fees and expenses are calculated, the following section will discuss the primary categories of fees and expenses that are common to many alternative investments and the different ways that our Company and advisory representatives that are also registered representatives of RJFS may be compensated.

- **Management Fees:** The manager for any particular investment will often charge a management fee that is based on the total value of your investment. As the value of your investment increases, the total management fees that a manager receives may increase. As the value of your investment decreases, the total management fees that a manager receives may decrease. These fees are similarly structured but are often higher than management fees associated with other, more traditional, investments such as mutual funds. Advisory representatives that are also registered representatives of RJFS may share in a portion of management fees to which an investment manager is entitled.
- **Incentive based compensation:** Many alternative investment managers receive incentive-based compensation in addition to management fees. Incentive-based fees typically involve the manager retaining a percentage of profits generated for clients. Fees related to incentive compensation are often referred to as incentive/performance-based fees or carried interest. It is important to note that these fees are in addition to management fees that are charged by the manager and that the exact calculation of incentive fees or carried interest differs by product

and manager. Advisory representatives that are also registered representatives of RJFS may share in any incentive-based compensation to which an investment manager is entitled.

- *Upfront or ongoing servicing fees or placement fees:* Many alternative investments have upfront costs directly related to compensating advisory representatives that are also registered representatives of RJFS. These fees are generally based on the total amount of your investment. Additionally, there may be ongoing fees, based on value of your investment, that are directly related to compensating advisory representatives that are also registered representatives of RJFS.
- *Redemption fees:* Some investments may have direct or indirect costs related to liquidating your position, particularly if an investment is liquidated shortly after being purchased or if an investment is specifically designed to provide limited or no liquidity to investors.

Alternative investment strategies may be accessed through a variety of legal structures, including mutual funds, limited partnerships and limited liability companies. In certain structures, particularly for new offerings, investors may incur organization and offering expenses that are related to the creation of the legal structure and marketing of the product. These costs ultimately serve to decrease the amount of the client's investment. Additionally, investors may incur other expenses based on the investment activity of the fund. For instance, in a real estate fund, investors may be charged fees related to the acquisition of a property. In a hedge fund that shorts stock, there are costs associated with establishing and maintaining the short position. Lastly, investors in alternative investments generally bear the cost of certain ongoing expenses related to administration of the product. These expenses may include costs related to tax document preparation, auditing services or custodial services.

Alternative investments often have limited liquidity, intermittent pricing and values based on appraisal based pricing versus market-based pricing. Additionally, if an alternative investment is reflected on your statement, the value reflected is often an estimate subject to revision by the investment manager. One or a combination of these issues impact the value on which you are charged when your investment is eligible for asset-based advisory fees. We will typically only assess an advisory fee on alternative investment products that are priced at least quarterly and are not assessed an upfront commission or sales load upon initial investment. Conversely, alternative investment products not eligible for the asset-based advisory fee typically price less frequently than quarterly and/or have an upfront commission or sales load assessed upon the initial investment; such investments will be designated as Administrative-Only assets. You may hold one or more of these Administrative-Only products in your PASSPORT and IMPAC account, but no asset-based advisory fee will be assessed as long as they are held in a PASSPORT and IMPAC account.

You should also understand that certain no-load variable annuities may be offered in the PASSPORT and IMPAC programs and may be charged an advisory fee. The annual advisory fees charged for these no-load variable annuities are in addition to the management fees and operating expenses charged by the insurance companies offering these products.

You should understand that certificates of deposit ("CD"s) from Raymond James Bank may be purchased with a commission, in the PASSPORT and IMPAC programs. These CDs are considered non-billable assets for one year.

You should also understand that more sophisticated investment strategies such as short sells and margins may be offered in the PASSPORT and IMPAC programs. Fees for advice and execution on these securities are based on the total asset value of the account. 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 we may have an incentive to encourage the use of margin to create a higher market value and therefore



receive a higher fee. The use of margin may also result in interest charges in addition to all other fees and expenses associated with the security involved. In the cases where margin debit interest is charged to your account, advisory representatives that are also registered representatives of RJFS may receive a portion of the interest charged as a Controlled Asset Fee, presenting a potential conflict of interest.

Your total cost of each of the services provided through these programs, if purchased separately, could be more or less than the costs of each respective program. Cost factors may include your ability to:

- obtain the services provided within the programs separately with respect to the selection of mutual funds,
- invest and rebalance the selected mutual funds without the payment of a sales charge, and
- obtain performance reporting comparable to those provided within each program.

When making cost comparisons, you should be aware that the combination of multiple mutual fund investments, advisory services, and custodial and brokerage services available through each program may not be available separately or may require multiple accounts, documentation and fees. If an account is actively traded or you otherwise may not qualify for reduced sales charges for fund purchases, the fees may be less expensive than separately paying the sales charges and advisory fees. If an account is not actively traded or you otherwise would qualify for reduced sales charges, the fees in these programs may be more expensive than if utilized separately.

Further information regarding fees assessed by a mutual fund, variable annuity or UIT is available in the appropriate prospectus, which you may obtain upon request.

The mutual funds and ETFs available in the programs often may be purchased directly. Therefore, you could avoid the second layer of fees by not using the investment advisory account and making your own decisions regarding the investment.

You should be aware that only those mutual fund companies which RJFS has a selling agreement with will be available for purchase within the PASSPORT and IMPAC programs, and are generally limited to those fund companies that provide RJFS and its affiliates marketing service and support fees. As a result, not all mutual funds available to the investing public will be available for investment. However, RJFS has selling agreements with over 300 fund companies, offering over 9,000 separate mutual funds for potential investment.

If you are considering transferring mutual fund shares to or from RJFS you should be aware that if the firm from or to which the shares are to be transferred does not have a selling agreement with the fund company, you must either redeem the shares (paying any applicable contingent deferred sales charge and potentially incurring a tax liability) or continue to maintain an investment account at the firm where the fund shares are currently being held. You should inquire as to the transferability, or "portability", of mutual fund shares prior to initiating such a transfer.

Raymond James provides a variety of marketing and other sales support services to mutual fund companies related to their mutual funds. These services include, but are not limited to, providing detailed mutual fund information to financial advisors, assisting mutual fund companies with strategic planning support, providing opportunities for assisting with professional development workshops, study groups, and other events and conferences. Raymond James also provides distribution support for prospectuses and promotional materials relating to their mutual funds. The marketing service and support fees come in a variety of forms, including payments which are sometimes referred to as "revenue sharing" fees and 12b-1 fees. This compensation may not be disclosed in detail in a mutual

fund's prospectus or Statement of Additional Information. The following schedule gives you an idea of the potential level of marketing support or revenue sharing fees that Raymond James may receive from a particular mutual fund group:

- up to .10% on mutual fund share purchases (e.g., \$10 for a \$10,000 purchase)
- up to .05% per year on assets totaling less than \$500 million
- up to .04% per year on assets totaling \$500 million to \$1 billion
- up to .03% per year on assets totaling \$1 billion to \$5 billion
- up to .02% per year on assets totaling \$5 billion or greater

The actual amounts that Raymond James may receive will vary from one mutual fund company to another and investments in certain asset classes and/or mutual fund types may be excluded from the above formulas.

Mutual fund companies with mutual funds electronically linked or "networked" with a broker/dealer's account system or with mutual funds available through a broker/dealer's fee-based account programs often reimburse broker/dealers for a portion of their account servicing and administrative costs, which may include accounting, statement preparation and mailing, tax reporting and other shareholder services. Networking is a service that enables data sharing between Raymond James and mutual fund providers and/or their transfer agents. Raymond James currently receives up to \$20 annually in servicing fee reimbursements per each client mutual fund position. Advisory representatives that are also registered representatives of RJFS do not receive any part of these payments.

For a list of fund companies that have agreed to pay Raymond James networking or servicing fees, please visit: [http://www.raymondjames.com/disclosure\\_mutual\\_funds.htm](http://www.raymondjames.com/disclosure_mutual_funds.htm).

Mutual fund companies will also pay Raymond James fees to provide shareholder liaison services to you. These shareholder services may include responding to your inquiries and providing information on your investments. Raymond James may receive these shareholder services fees in amounts not to exceed 0.25% annually of the assets invested in a particular mutual fund.

Raymond James may also receive annual fees of up to \$10,000 from each mutual fund company for providing marketing and sales support services for certain corporate retirement plans.

Raymond James makes available to its clients a variety of mutual funds advised or offered by Carillon Family of Funds ("Carillon"), a subsidiary of Raymond James, including the Carillon Class shares of the J.P. Morgan Prime and Tax Free Money Market Funds. Raymond James and its affiliates generally receives more revenue for selling mutual funds advised or offered by Carillon because they receive compensation for providing these mutual funds with services not provided to unaffiliated mutual funds, including (but not limited to) investment advisory, administrative, transfer agency, distribution and/or other services. Payments made by mutual funds advised or offered by Carillon to Raymond James and its affiliates may be terminated, modified, or suspended at any time. Raymond James financial advisors and branch managers do not receive additional compensation or other cash or non-cash incentives for recommending mutual funds (or any particular class thereof) advised or offered by Carillon.

In addition to the aforementioned compensation arrangements in connection with Raymond James' mutual fund sales, Raymond James receives compensation from its affiliate Carillon for providing services unrelated to sales of Carillon mutual funds, including (but not limited to) consulting services, marketing services, sponsorship fees, and support services and transfer credits for trade execution services. Payments made by Carillon to Raymond James may be terminated, modified, or suspended at any time.

## **Buying Securities on Margin and Margin Interest**

When clients purchase securities they may either pay for the securities in full or borrow part of the purchase price from Raymond James. Clients that choose to borrow funds for purchases must open a margin account with Raymond James, upon approval based on the firm's analysis of, among others things, the client's creditworthiness and the suitability of margin use by the client. The securities purchased on margin are the firm's collateral for the margin loan. If the securities in the client's account decline in value, so does the value of the collateral supporting the margin loan, and as a result, Raymond James may take action, such as issue a margin call and/or sell securities in the account, in order to maintain the required equity.

It is important that clients fully understand the risks involved in trading securities on margin (including selling short). Upon approval, where applicable, clients will receive a Truth In Lending Statement from Raymond James disclosing such risks, as well as, explaining the details and conditions under which interest will be charged, the method of computing interest and the conditions under which additional collateral may be required. Clients should understand that the extension of credit by Raymond James to clients will appear as a debit balance on the monthly brokerage statement. While the value of the margined security will appear as a debit, clients with a margin balance in an account(s) in the Ambassador, OSM and/or Passport account programs will be assessed asset-based advisory fees based on the gross value of the account(s) without any offset for margin or debit balances. With respect to short sales, the client will be assessed asset-based advisory fees based on the value of the security sold short, but not on the proceeds received upon initiation of the short sale.

As a result of the foregoing, the client's financial advisor and Raymond James may have a financial incentive to recommend the acquisition of securities on margin or otherwise have margin credit extended (including selling short). In the event of such margin credit extension, the costs incurred by the client, as well as the compensation received by the client's financial advisor and Raymond James, will generally increase as the size of the outstanding margin balance increases.

Clients that purchase securities on margin should understand: 1) the use of borrowed money will result in greater gains or losses than otherwise would be the case without the use of margin, and 2) there will be no benefit from using margin if the performance of their account does not exceed the interest expense being charged on the margin balance plus the additional advisory fees assessed on the securities purchased using margin.

## **Short Sales**

When executing short sales, you should be aware that RJA receives compensation for maintenance of the short position, which is in addition to the asset-based advisory fee. This compensation is generally calculated on a daily basis as a percentage of the current market value of the security sold short. Three of the major variables that impact the amount of the fee RJA retains, as well as the transparency of the fee on your statement are: 1) availability of the security RJA; 2) the current interest rate environment in the U.S.; and 3) the availability of the security based on the supply and demand of loanable securities in the market.

When you borrow a security which RJA can lend from its own inventory or its available customers' securities holdings, RJA generally retains all of the fees generated by that loan. In a higher interest rate environment, this fee may not be transparent to you because it may not be charged directly to your account. In such instances, the fee is retained from the return generated by the investment of the collateral posted for the transaction (such as short sale cash proceeds). In the case of a limited supply of a loanable security and/or a lower interest environment, the interest earned on the invested cash collateral may not be sufficient to cover the fee; in this case RJA may directly charge the fee to your account until the borrowed balance is closed.



In cases where RJA has no available supply of loanable securities, RJA may borrow the security from another firm. In these cases, you will be charged a fee to cover the borrowed securities, and RJA and the firm which lent the securities will generally split this fee. As above, in a higher interest rate environment this fee may not be transparent to you because the fee is retained from the return generated by the investment of the collateral posted for the transaction and not charged directly to the account. Alternatively, where the interest earned may not be sufficient to cover the fee, RJA may directly charge the fee to your account until the borrowed balance is closed; a portion of that fee is passed from RJA to the firm from which the securities were borrowed.

### **Portfolio Consulting Services**

We will initially consult with you and, based upon information you provide, we will review your accounts and recommend an initial asset allocation or recommend changes to the asset allocation, as applicable, based upon your risk tolerance, investment objectives and other relevant information. Once your initial asset allocation is recommended or reviewed, we will thereafter review your account on a quarterly basis and make recommendations to you to rebalance the asset allocation, if necessary, based upon the information you provide to us. For retirement accounts, it shall be your sole responsibility to implement any recommendations we provide and for 529 Plan accounts, we will obtain authorization from you prior to placing any transactions.

You will be charged a fee for portfolio consulting services which is billed quarterly in arrears based on the market value of your accounts at the end of the quarter. Fees will be assessed pro rata in the event the portfolio consulting agreement is executed at any time other than the first day of a calendar quarter. On an annualized basis, our fees for portfolio consulting services, subject to negotiation, are as follows:

<b>Account Value</b>	<b>Annualized Fee**</b>
First \$200,000	1.25%
Next \$800,000	1.00%
Next \$1,000,000	0.75%
Next \$1,000,000	0.65%
Next \$1,000,000	0.55%
Next \$1,000,000	0.50%
Over \$5,000,000	0.40%

\*\* The fee schedule is blended meaning that you will be charged the corresponding fee based upon the value of your account at each tier. Our fees are negotiable and some clients, including existing clients of the firm, may pay different/higher fees and/or may pay a flat percentage fee in lieu of a tiered fee schedule.

We will send you an invoice for the payment of our advisory fee, or we will deduct our fee directly from your account through the qualified custodian holding your funds and securities. We will deduct our advisory fee only when you have given our firm written authorization permitting the fees to be paid directly from your account. Further, the qualified custodian will deliver an account statement to you at least quarterly. These account statements will show all disbursements from your account. You should review all statements for accuracy.

If the investment advisory agreement is executed at any time other than the first day of a calendar quarter, our fees will apply on a pro rata basis, which means that the advisory fee is payable in proportion to the number of days in the quarter for which you are a client. Our advisory fee is negotiable, depending on individual client circumstances.

At our discretion, we may combine the account values of family members living in the same household to determine the applicable advisory fee. For example, we may combine account values for you and your minor children, joint accounts with your spouse, and other types of related accounts. Combining account values may increase the asset total, which may result in your paying a reduced advisory fee based on the available breakpoints in our fee schedule stated above.

Either party may terminate the advisory agreement by giving 30-days' written notice to the other party. In the event the agreement is terminated during a calendar quarter, you will be charged pro-rata fees which means that the advisory fee is payable in proportion to the number of days in the quarter for which you are a client.

### **Financial Planning Services**

We engage in broad based and consultative financial planning services for a fee. Financial planning services will typically involve providing a variety of services, principally advisory in nature, to you regarding the management of your financial resources based upon an analysis of your individual needs. Financial planning services may encompass such areas as financial and cash flow statements, personal budgets, estate taxes, educational needs of dependents, life insurance needs, income tax analysis, investment analysis, disability analysis, charitable giving, employee benefits analysis and retirement plan objectives.

The process typically begins with a complimentary introduction meeting during which the various services we provide are explained. If you decide to engage us for financial planning services, we will collect pertinent information about your personal and financial circumstances and objectives. As required, we will conduct follow-up interviews for the purpose of reviewing and/or collecting additional financial data. Once such information has been reviewed and analyzed, a written financial plan designed to achieve your stated financial goals and objectives will be produced and presented to you. The primary objective of this process is to allow us to assist you in developing a strategy for the successful management of income, assets and liabilities in meeting your financial goals and objectives.

In some circumstances, Clients may only require advice on a single aspect of the management of their financial resources. For these Clients, we offer general consulting services that address only those specific areas of interest or concern.

Financial plans are based on your financial situation at the time we present the plan to you, and on the financial information you provide to our firm. In providing the contracted services, we are not required to verify any information we receive from you or from your other professionals (e.g. attorney, accountant, etc.) and we are expressly authorized to rely on the information you provide. You must promptly notify our firm if your financial situation, goals, objectives, or needs change.

We charge a negotiable fixed fee for broad based financial planning services ranging between \$750 and \$3000. An estimate of the total cost will be determined at the start of the advisory relationship. A deposit of 50% of the total estimated fee will be due in advance and the remainder will be due upon completion of the services rendered, or as invoiced. In limited circumstances, the cost/time could potentially exceed the initial estimate. In such cases, we will notify you and may request that you approve the additional fee. We charge a non-negotiable hourly rate of \$200 for consultative financial planning which shall be due and payable upon completion of the agreed upon services, or as invoiced.

In providing financial planning services, we may recommend our services and/or our Associated Persons services in their separate capacity as licensed insurance agents and/or registered representatives of Raymond James Financial Services, Inc. A conflict of interest exists when we make such recommendations. You are under no obligation to act on our financial planning recommendations. Should you choose to act on any of our recommendations, you are not obligated to implement the recommendations through any of our other investment advisory services or any Associated Persons of our firm. Moreover, you may act on our recommendations by placing securities transactions with the brokerage firm of your choice. Refer to the *Fees and Compensation* section below for additional disclosures on this topic.

Either party may terminate the financial planning agreement upon 15-days' written notice to the other party. In the event of termination, you will receive a pro rata refund or will be charged for the portion of work we have performed through the date of termination. At no time will we charge clients more than \$1200 and six or more months in advance.

### **Pension Consulting Services**

We will provide pension-consulting services to employee benefit plans and their fiduciaries based upon an analysis of the needs of the plan. In general, these services may include an existing Plan review, formation of an Investment Policy Statement, evaluation of existing vs. other alternatives, evaluation of Plan vendors, initial creation of or advice on model portfolios, Plan Participant enrollment and education, performance reporting of Plan assets and reviews of model portfolios on at least an annual basis and annual due diligence reviews on third party money managers. We may also provide individualized investment advice to Plan Participants on an as needed basis only as requested by the Participant. Such investment advice shall consist only of asset allocation recommendations, upon request of the Plan Participant, and it shall be the Participant's responsibility to implement any such recommendations.

Fees for pension consulting services are negotiated on a case-by-case basis pursuant to an agreement between our firm and the Plan vendor. Such fees are due and payable quarterly in arrears based upon the value of the plan's assets at the end of the quarter. The fees and terms will be clearly set forth in the executed agreement for services. In the event we provide individual investment advice to plan participants, we charge a negotiable flat percentage, per annum, due and payable quarterly in arrears which shall be based on a percentage of the market value of the assets in the Participant's Account at the end of the quarter.

We will either invoice you directly for payment of our fees or payment will be made by the qualified custodian holding your funds and securities provided you provide written authorization permitting the fees to be paid directly from your account(s). We will not have access to your funds for payment of fees without your prior consent in writing. Further, the qualified custodian agrees to deliver a quarterly account statement directly to you, or your independent representative, showing all disbursements from your account. You are encouraged to review your account statement(s) for accuracy.

Generally, accounts to whom we provide pension consulting services are regulated under the Employee Retirement Income Securities Act ("ERISA"). We will provide consulting services to the plan fiduciaries as described above. Typically, the named plan fiduciary must make the ultimate decision as to retaining the services of such investment advisers as we recommend. In all cases, the plan fiduciary is free to seek independent advice about the appropriateness of any recommended services for the plan.

Either party may terminate the pension consulting agreement by providing 30-days written notice to the other party. Fees will be prorated to the date of termination and are due and payable.

### **Recommendations of Third Party Advisers**

We may refer clients to Third Party Advisers for investment management services. Third Party Advisers may be affiliated with Raymond James & Associates who is an affiliate of Raymond James Financial Services. We will share in the fee charged by the Third Party Advisers. Given the affiliation and shared fees, there may be a potential conflict of interest in that we may have an incentive to recommend these Third Party Advisers over other Third Party Advisers. Clients who are referred to Third Party Advisers will receive a brochure which describe the services, fees and other relevant information.

We may refer you to Delta Asset Management ("Delta"), an unaffiliated entity, to manage all or a portion of your accounts which require a value based investment objective. We monitor the performance of Delta, for the benefit of our Clients. We charge you a negotiable fee ranging between 0.5% to 0.75% of the assets under management, which fees are separate and apart from the fees charged by Delta. Delta will charge you an additional fee, subject to negotiation, that ranges between 0.8% and 1.0% of the assets under its management.

You should refer to the brochure for Delta Asset Management for further information on the services, fees and other relevant information.

### **Raymond James Consulting Services**

As sponsor of the Raymond James Consulting Services ("RJCS") SMA program, Raymond James enters into a subadvisory agreement with select investment advisers registered with the SEC ("SMA Manager(s)"), which includes SMA Managers affiliated with Raymond James. These SMA Managers' services are made available to clients based on AMS's familiarity with the SMA Managers' firm, portfolio management personnel, investment disciplines offered, portfolio construction and AMS's overall belief that the participation of these SMA Managers in the program will provide prospective clients access to high quality investment firms.

For further information on Raymond James Consulting Services, please refer to RJA's Part 2A Wrap Fee Appendix.

### **Types of Investments**

We primarily offer advice on mutual funds. When suitable, we generally recommend no load mutual funds.

You may request that we refrain from investing in particular securities or certain types of securities. You must provide these restrictions to our firm in writing.

### **Assets Under Management**

As of January 23, 2018, we provide continuous management services for \$778,370,233 in client assets on a discretionary basis, and \$213,920,409 in client assets on a non-discretionary basis.

## **Item 5 Fees and Compensation**

Refer to the *Advisory Business* section in this Brochure for information on our advisory fees, fee deduction arrangements, and refund policy according to each service we offer.

### **Additional Fees and Expenses**

As part of our investment advisory services to you we may recommend that you invest, in mutual funds and exchange traded funds. The fees that you pay to our firm for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or exchange traded funds (described in each fund's prospectus) to their shareholders. These fees will generally include a

management fee and other fund expenses. You will also incur transaction charges and/or brokerage fees when purchasing or selling securities. These charges and fees are typically imposed by the broker-dealer or custodian through whom your account transactions are executed. We do not share in any portion of the brokerage fees/transaction charges imposed by the broker-dealer or custodian. To fully understand the total cost you will incur, you should review all the fees charged by mutual funds, exchange traded funds, our firm, and others. For information on our brokerage practices, please refer to the *Brokerage Practices* section of this Disclosure Brochure.

We may trade client accounts on margin. Each client must sign a separate margin agreement *before* margin is extended to that client account. Fees for advice and execution on these securities are based on the total asset value of the account, which includes the value of the securities purchased on margin. While a negative amount may show on a client's 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 we may have an incentive to encourage the use of margin to create a higher market value and therefore receive a higher fee. The use of margin may also result in interest charges in addition to all other fees and expenses associated with the security involved.

### **Compensation for the Sale of Securities or Other Investment Products**

Persons providing investment advice on behalf of our firm are registered representatives with Raymond James Financial Services, Inc. ("RJFS"), a securities broker-dealer, and a member of FINRA and the Securities Investor Protection Corporation. In their capacity as registered representatives, these persons may receive normal and customary commission-based compensation in connection with the purchase and sale of securities, including 12b-1 fees for the sale of investment company products. Compensation earned by these persons in their capacity as a registered representative is separate and in addition to our advisory fees. This practice presents a conflict of interest because persons providing investment advice on behalf of our firm who are registered representatives have an incentive to effect securities transactions for the purpose of generating commissions rather than solely based on your needs. However, you are under no obligation, contractually or otherwise, to buy or sell securities products through any person affiliated with our firm.

**As noted in the Advisory Business section above, BPFA has a policy that 12b-1 fees be credited back to the customers' advisory accounts (qualified and non-qualified) when paid to advisors.**

Associated Persons of our firm may be licensed as independent insurance agents. These persons will earn commission-based compensation for selling insurance products. Insurance commissions earned are separate and in addition to our advisory fees. This practice presents a conflict of interest because persons providing investment advice on behalf of our firm who are insurance agents have an incentive to recommend insurance products to you for the purpose of generating commissions rather than solely based on your needs. However, you are under no obligation, contractually or otherwise, to purchase insurance products through any person affiliated with our firm.

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

We do not accept performance-based fees or participate in side-by-side management. 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. Performance-based fees are fees that are based on a share of capital gains or capital appreciation of a client's account. Our fees are calculated as described in the **Advisory Business** section above, and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds in your advisory account.



## Item 7 Types of Clients

We offer investment advisory services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations, and other business entities. Financial Planning clients must have an income of \$50,000 or a net worth of \$200,000. Clients who open an IMPAC or Passport account must have a minimum account size of \$25,000. There is a minimum investment of \$100,000 for FREEDOM Retirement Income Solution Strategies, and \$50,000 for all other Strategies, although smaller accounts may be accepted based on the specific circumstances of an account. Clients who participate in privately managed accounts through Raymond James Consulting Services must have a minimum account size of \$100,000 for all equity and balanced accounts, and \$200,000 for most fixed income accounts, although smaller accounts may be accepted based upon the specific circumstances of an account. Client accounts who are managed by Delta Asset Management are generally required to have a minimum account size of \$100,000.

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

We may use one or more of the following methods of analysis or investment strategies when providing investment advice to you:

- **Fundamental Analysis** - involves analyzing individual companies and their industry groups, such as a company's financial statements, details regarding the company's product line, the experience and expertise of the company's management, and the outlook for the company's industry. The resulting data is used to measure the true value of the company's stock compared to the current market value.
- **Technical Analysis** - involves studying past price patterns and trends in the financial markets to predict the direction of both the overall market and specific stocks.
- **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 one year.
- **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, to take advantage of the securities' short-term price fluctuations.
- **Margin Transactions** - a securities transaction in which an investor borrows money to purchase a security, in which case the security serves as collateral on the loan.
- **Option Writing/Trading** - a securities transaction that involves buying or selling (writing) an option. If you write an option, and the buyer exercises the option, you are obligated to purchase or deliver a specified number of shares at a specified price at the expiration of the option regardless of the market value of the security at expiration of the option. Buying an option gives you the right to purchase or sell a specified number of shares at a specified price until the date of expiration of the option regardless of the market value of the security at expiration of the option.

### **Risks Associated with Methods of Analysis**

**Technical Analysis** - The risk of market timing based on technical analysis is that charts may not accurately predict future price movements. Current prices of securities may reflect all information known about the security and day to day changes in market prices of securities may follow random patterns and may not be predictable with any reliable degree of accuracy.

**Fundamental Analysis** - The risk of fundamental analysis is that information obtained may be incorrect and the analysis may not provide an accurate estimate of earnings, which may be the basis for a stock's value. If securities prices adjust rapidly to new information, utilizing fundamental analysis may not result in favorable performance.

**Margin** - Margin accounts present special risks because you can lose more money than you deposit in your account. Additionally, the custodian can force the sale of securities in your account and can sell securities without contacting you.

**Options** - Options are complex investments and can be very risky, especially if the investor does not own the underlying stock. In certain situations, an investor's risk can be unlimited.

### **Investment Strategy and Tax Disclosures**

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

Our strategies and investments may have unique and significant tax implications. However, unless we specifically agree otherwise, and in writing, tax efficiency is not our primary consideration in the management of your assets. Regardless of your account size or any other factors, we strongly recommend that you consult with a tax professional prior to and throughout the investing of your assets.

Moreover, as a result of revised IRS regulations, custodians will begin reporting the cost basis of equities acquired in client accounts on or after January 1, 2011. Your custodian will default to the FIFO (First-In First-Out) accounting method for calculating the cost basis of your investments. You are responsible for contacting your tax advisor to determine if this accounting method is the right choice for you. If your tax advisor believes another accounting method is more advantageous, please provide written notice to our firm immediately and we will alert your account custodian of your individually selected accounting method. Please note that decisions about cost basis accounting methods will need to be made before trades settle, as tax law requires that the cost basis method remain unchanged after settlement.

### **Risk of Loss**

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. You understand that our investment recommendations for your account are subject to various market, currency, economic, political and business risks, and that those investment decisions will not always be profitable. 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.

### **Other Risk Considerations**

When evaluating risk, financial loss may be viewed differently by each client and may depend on many different risks, each of which may affect the probability and magnitude of any potential losses. The following risks may not be all-inclusive, but should be considered carefully by a prospective client before retaining our services.

**Liquidity Risk:** The risk of being unable to sell your investment at a fair price at a given time due to high volatility or lack of active liquid markets. You may receive a lower price or it may not be possible to sell the investment at all.

**Credit Risk:** Credit risk typically applies to debt investments such as corporate, municipal, and sovereign fixed income or bonds. A bond issuing entity can experience a credit event that could impair or erase the value of an issuer's securities held by a client.

**Inflation and Interest Rate Risk:** Security prices and portfolio returns will likely vary in response to changes in inflation and interest rates. Inflation causes the value of future dollars to be worth less and may reduce the purchasing power of a client's future interest payments and principal. Inflation also generally leads to higher interest rates which may cause the value of many types of fixed income investments to decline.

**Horizon and Longevity Risk:** The risk that your investment horizon is shortened because of an unforeseen event, for example, the loss of your job. This may force you to sell investments that you were expecting to hold for the long term. If you must sell at a time that the markets are down, you may lose money. Longevity Risk is the risk of outliving your savings. This risk is particularly relevant for people who are retired, or are nearing retirement.

### **Recommendation of Particular Types of Securities**

We primarily recommend mutual funds and ETFs for our clients. However, we may provide advice on other types of investments as appropriate for you since each client has different needs and different tolerance for risk. Each type of security has its own unique set of risks associated with it and it would not be possible to list here all of the specific risks of every type of investment. Even within the same type of investment, risks can vary widely. However, in very general terms, the higher the anticipated return of an investment, the higher the risk of loss associated with it.

Mutual funds are funds that are operated by an investment company that raises money from shareholders and invests it in stocks, bonds, and/or other types of securities. The fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. The mutual funds charge a separate management fee for their services. The returns on mutual funds can be reduced by the costs to manage the funds. While mutual funds generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market. Funds that are sold through brokers are called load funds, and those sold to investors directly from the fund companies are called no-load funds. Mutual funds come in many varieties. Some invest aggressively for capital appreciation, while others are conservative and are designed to generate income for shareholders. Investors should carefully assess their tolerance for risk before they decide which fund is suitable for their account.

## **Item 9 Disciplinary Information**

Barnes-Petty Financial Advisors, LLC has been registered and providing investment advisory services since 2007. Neither our firm nor any of our Management Persons has any reportable disciplinary information.

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

### **Registrations with Broker-Dealer**

Persons providing investment advice on behalf of our firm are registered representatives with Raymond James Financial Services, Inc. ("RJFS"), a securities broker-dealer, and a member of FINRA and the Securities Investor Protection Corporation. Refer to the **Fees and Compensation** section above for additional disclosures on this topic.

### **Insurance Agent**

Persons providing investment advice on behalf of our firm are also separately licensed as independent insurance agents. These individuals will earn commission-based compensation for selling insurance products. Insurance commissions earned are separate and in addition to advisory fees you pay to



Barnes-Petty Financial Advisors, LLC for investment advisory services. You are under no obligation, contractually or otherwise, to purchase insurance products through Associated Persons of our firm. Refer to the *Fees and Compensation* section above for additional disclosures on this topic.

### **Accounting Firm**

Richard Devoe is a managing partner of Devoe Carr, PLLC, an accounting firm. If you require accounting services, we may recommend that you use Devoe Carr, PLLC. Our advisory services and related fees are separate and distinct from the compensation paid to Devoe Carr, PLLC for their services. You are under no obligation to use Devoe Carr, PLLC or Mr. Devoe for accounting related services, and may obtain comparable services and/or lower fees through other firms.

### **Recommendation of Other Advisers**

We may recommend that you use a third party adviser ("TPA") based on your needs and suitability. These compensation arrangements present a conflict of interest because we have a financial incentive to recommend the services of the third party adviser. You are not obligated, contractually or otherwise, to use the services of any TPA we recommend.

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

### **Description of Our 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.

Clients or prospective clients may obtain a copy of our Code of Ethics by contacting us at the telephone number on the cover page of this brochure.

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

Neither our firm nor any of our Associated Persons has any material financial interest in client transactions beyond the provision of investment advisory services as disclosed in this brochure.

### **Personal Trading Practices**

Our firm or persons associated with our firm may buy or sell securities for you at the same time we or persons associated with our firm buy or sell such securities for our own account. A conflict of interest exists in such cases because we have the ability to trade ahead of you and potentially receive more favorable prices than you will receive. To eliminate this conflict of interest, it is our policy that neither our Associated Persons nor we shall have priority over your account in the purchase or sale of securities.

## Item 12 Brokerage Practices

We recommend the brokerage and custodial services of Raymond James Financial Services, Inc. ("RJFS") a securities broker-dealer and a member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation. We believe that RJFS provides quality execution services for you at competitive prices. Price is not the sole factor we consider in evaluating best execution. We also consider the quality of the brokerage services provided by RJFS, including: the value of research provided, reputation in the marketplace, execution capabilities, commission rates, and responsiveness to our clients and our firm. In recognition of the value of research services and additional brokerage products and services RJFS provides, you may pay higher commissions and/or trading costs than those that may be available elsewhere. Refer to the *Fees and Compensation* section above for additional disclosures on this topic.

Persons providing investment advice on behalf of our firm are also registered representatives of RJFS. These individuals are subject to applicable rules that restrict them from conducting securities transactions away from RJFS unless RJFS provides the representative with written authorization to do so. Therefore, these individuals are generally limited to conducting securities transactions through RJFS. It may be the case that RJFS charges higher transaction costs and/or custodial fees than another broker charges for the same types of services. You may utilize the broker-dealer of your choice and have no obligation to purchase or sell securities through such broker as, we recommend. However, if you do not use RJFS, we may not be able to accept your account. Refer to the *Fees and Compensation* section above for additional disclosures on this topic.

### Soft Dollar Benefits

As a registered investment adviser, we receive economic benefits as we have access to the institutional platform of your account custodian. As such, we will also have access to software, execution services and research products and services from your account custodian and/or other brokerage firms. These products may include financial publications, information about particular companies and industries, research software, and other products or services that provide lawful and appropriate assistance to our firm in the performance of our investment decision-making responsibilities. Such research products and services are provided to all investment advisers that utilize the institutional services platforms of these firms, and are not considered to be paid for with soft dollars. However, you should be aware that the commissions charged by a particular broker for a particular transaction or set of transactions may be greater than the amounts another broker who did not provide research services or products might charge.

### Brokerage for Client Referrals

We do not receive client referrals from broker-dealers in exchange for cash or other compensation, such as brokerage services or research.

### Block Trades

We do utilize block trading via putting clients in various custom models (models where we have chosen the individual investments). When a fund change needs to be made in the models (and therefore in the clients' accounts) we do so via a block trade.

## Item 13 Review of Accounts

Ambassador, IMPAC, and Passport accounts are monitored on a continuous basis with other accounts monitored on a periodic basis. Reviews are conducted on at least an annual basis, depending upon client requests or the size of a client's account, and in all cases are handled by investment adviser representatives. A change in personal goals and objectives by the client or significant change in the market conditions will dictate more frequent reviews. Clients may request more frequent meetings or reviews which are conducted on an hourly basis.

Financial Planning reviews/updates are performed as needed by investment adviser representatives who are either Certified Financial Planners or Certified Public Accountants. Our Chief Compliance Officer may designate certain IARs to conduct reviews that are trained and experienced in the financial planning process.

Investment portfolio reports are presented in written form to you on at least an annual basis. These reports detail the investment basis, current market value, percentage allocations for asset types, and a dollar and percentage gain or loss to date, dollar weighted or time weighted, from the last reporting. More frequent investment portfolio reports may be generated at your request and charged on an hourly basis.

You will receive transaction confirmation notices and regular summary account statements, at least quarterly, directly from Raymond James, your account custodian. As available, such information may be accessed online.

If you receive reports from our firm, we encourage you to reconcile our reports with those received from the qualified custodian. If you find your holdings differ between these two statements, please call our main office number immediately located on the cover page of this brochure.

## Item 14 Client Referrals and Other Compensation

Persons providing investment advice on behalf of our firm are licensed insurance agents, and are registered representatives with RJFS, an unaffiliated securities broker-dealer. Beyond the disclosures provided in this brochure, we do not receive any compensation from any third party in connection with providing investment advice to you. Refer to the *Fees and Compensation* section above for additional disclosures on this topic.

## Item 15 Custody

We do not take custody of your funds or securities. Your funds and securities will be held with a bank, broker-dealer, or other independent, qualified custodian. We may have the authority to deduct our advisory fees from your account, but only if you previously consented to such deduction in writing.

As paying agent for our firm, your independent custodian will directly debit your account(s) for the payment of our advisory fees. This ability to deduct our advisory fees from your accounts causes our firm to exercise limited custody over your funds or securities. We do not have physical custody of any of your funds and/or securities. Your funds and securities will be held with a bank, broker-dealer, or other independent qualified custodian. 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) will indicate the amount of our advisory fees deducted from your account(s) each billing period. You should carefully review 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 call our main office number immediately located on the cover page of this brochure.

## **Item 16 Investment Discretion**

Before we can buy or sell securities on your behalf, you must first sign a discretionary management agreement. If you engage us to provide investment advisory services on a discretionary basis, we have the authority to determine the selection and amount of securities to be purchased or sold for your account(s) without obtaining your consent or approval prior to each transaction. You may specify investment objectives, guidelines, and/or impose certain conditions or investment parameters for your account(s). For example, you may specify that the investment in any particular stock or industry should not exceed specified percentages of the value of the portfolio and/or restrictions or prohibitions of transactions in the securities of a specific industry or security. Refer to the *Advisory Business* section above for more information on our discretionary management services.

If you enter into non-discretionary arrangements with our firm, we will obtain your approval prior to the execution of any transactions for your account(s). You have an unrestricted right to decline to implement any advice provided by our firm on a non-discretionary basis.

## **Item 17 Voting Client Securities**

We will not vote proxies on behalf of your advisory accounts. At your request, we may offer you advice regarding corporate actions and the exercise of your proxy voting rights. If you own shares of applicable securities, you are responsible for exercising your right to vote as a shareholder.

In most cases, you will receive proxy materials directly from the account custodian. However, in the event we were to receive any written or electronic proxy materials, we would forward them directly to you by mail, unless you have authorized our firm to contact you by electronic mail, in which case, we would forward any electronic solicitation to vote proxies.

## **Item 18 Financial Information**

Our firm does not have any financial conditions or impairments that would prevent us from meeting our contractual commitments to you. We do not take physical custody of client funds or securities, or serve as trustee or signatory for client accounts, and, we do not require the prepayment of more than \$1200 in fees six or more months in advance. Therefore, we are not required to include a financial statement with this brochure.

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

We are a federally registered investment adviser; therefore, we are not required to respond to this item.

## **Item 20 Additional Information**

### **Your Privacy**

We view protecting your private information as a top priority. Pursuant to applicable privacy requirements, we have instituted policies and procedures to ensure that we keep your personal information private and secure.

We do not disclose any nonpublic personal information about you to any nonaffiliated third parties, except as permitted by law. In the course of servicing your account, we may share some information with our service providers, such as transfer agents, custodians, broker-dealers, accountants, consultants, and attorneys.

We restrict internal access to nonpublic personal information about you to employees, who need that information in order to provide products or services to you. We maintain physical and procedural safeguards that comply with regulatory standards to guard your nonpublic personal information and to ensure our integrity and confidentiality. We will not sell information about you or your accounts to anyone. We do not share your information unless it is required to process a transaction, at your request, or required by law.

You will receive a copy of our privacy notice prior to or at the time you sign an advisory agreement with our firm. Thereafter, we will deliver a copy of our privacy policy notice to you on an annual basis. Please contact us at the telephone number on the cover page of this brochure if you have any questions regarding this policy.

### **Trade Errors**

In limited circumstances, we may make an error in submitting a trade on your behalf. In the event a trading error occurs in your account, our policy is to restore your account to the position it should have been in had the trading error not occurred. Depending on the circumstances, corrective actions may include canceling the trade, adjusting an allocation, and/or reimbursing the account. If a trade error results in a loss, we will reimburse you or otherwise ensure that your account is made whole. If the trade error results in a profit, the profit will be maintained by the broker-dealer.

### **Class Action Lawsuits**

We do not determine if securities held by you are the subject of a class action lawsuit or whether you are eligible to participate in class action settlements or litigation nor do we initiate or participate in litigation to recover damages on your behalf for injuries as a result of actions, misconduct, or negligence by issuers of securities held by you.

### **IRA Rollover Considerations**

As part of our investment advisory services to you, we may recommend that you withdraw the assets from your employer's retirement plan and roll the assets over to an individual retirement account ("IRA") that we will manage on your behalf. If you elect to roll the assets to an IRA that is subject to our management, we will charge you an asset based fee as set forth in the agreement you executed with our firm. This practice presents a conflict of interest because persons providing investment advice on our behalf have an incentive to recommend a rollover to you for the purpose of generating fee based compensation rather than solely based on your needs. You are under no obligation, contractually or otherwise, to complete the rollover. Moreover, if you do complete the rollover, you are under no obligation to have the assets in an IRA managed by our firm.

Many employers permit former employees to keep their retirement assets in their company plan. Also, current employees can sometimes move assets out of their company plan before they retire or change jobs. In determining whether to complete the rollover to an IRA, and to the extent the following options are available, you should consider the costs and benefits of:

1. Leaving the funds in your employer's (former employer's) plan.
2. Moving the funds to a new employer's retirement plan.
3. Cashing out and taking a taxable distribution from the plan.
4. Rolling the funds into an IRA rollover account.

Each of these options has advantages and disadvantages and before making a change we encourage you to speak with your CPA and/or tax attorney.

If you are considering rolling over your retirement funds to an IRA for us to manage here are a few points to consider before you do so:

1. Determine whether the investment options in your employer's retirement plan address your needs or whether you might want to consider other types of investments.
  - a. Employer retirement plans generally have a more limited investment menu than IRAs.
  - b. Employer retirement plans may have unique investment options not available to the public such as employer securities, or previously closed funds.
2. Your current plan may have lower fees than our fees.
  - a. If you are interested in investing only in mutual funds, you should understand the cost structure of the share classes available in your employer's retirement plan and how the costs of those share classes compare with those available in an IRA.
  - b. You should understand the various products and services you might take advantage of at an IRA provider and the potential costs of those products and services.
3. Our strategy may have higher risk than the option(s) provided to you in your plan.
4. Your current plan may also offer financial advice.
5. If you keep your assets titled in a 401k or retirement account, you could potentially delay your required minimum distribution beyond age 70.5.
6. Your 401k may offer more liability protection than a rollover IRA; each state may vary.
  - a. Generally, federal law protects assets in qualified plans from creditors. Since 2005, IRA assets have been generally protected from creditors in bankruptcies. However, there can be some exceptions to the general rules so you should consult with an attorney if you are concerned about protecting your retirement plan assets from creditors.
7. You may be able to take out a loan on your 401k, but not from an IRA.
8. IRA assets can be accessed any time; however, distributions are subject to ordinary income tax and may also be subject to a 10% early distribution penalty unless they qualify for an exception such as disability, higher education expenses or the purchase of a home.
9. If you own company stock in your plan, you may be able to liquidate those shares at a lower capital gains tax rate.
10. Your plan may allow you to hire us as the manager and keep the assets titled in the plan name.

It is important that you understand the differences between these types of accounts and to decide whether a rollover is best for you. Prior to proceeding, if you have questions contact your investment adviser representative, or call our main number as listed on the cover page of this brochure.