

## **Innovative Advisory Partners, LLC**

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**September 16, 2019**

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

**This brochure provides information about the qualifications and business practices of Innovative Advisory Partners, LLC. If you have any questions about the contents of this brochure, please contact us at 423-870-2140 or [Robert.Pragnell@innovativeria.com](mailto:Robert.Pragnell@innovativeria.com). 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 Innovative Advisory Partners, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for 156135.**

**Innovative Advisory Partners, 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**

The following is a Summary of the Material Changes to the Part 2A disclosure brochure for Innovative Advisory Partners, LLC which have occurred since the filing of our last annual updating amendment on March 14, 2019:

- Ownership change to now include direct owners Franklin Wealth Management, LLC, Robert Pragnell and SolomonWood, LLC.
- The new Chief Compliance Officer is Robert Pragnell.

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## Item 4 Advisory Business

### Description of Services and Fees

Innovative Advisory Partners, LLC ("IAP") is a registered investment adviser based in Hixson, Tennessee. We are organized as a limited liability company under the laws of the State of Tennessee and formed in 2010. Prior to forming Innovative Advisory Partners, LLC, Franklin Wealth Management, LLC our principal owner, which is owned by Joe D. Franklin, and the Franklin Planning Group had been providing fee-based asset management and planning services since 1995. We are a fee-only independent investment adviser that provides wealth management services designed to provide you with an investment plan that is aimed at integrating your planning and investment needs.

Our wealth management services consist of portfolio management and financial planning services. Clients may retain IAP to provide portfolio management and financial planning or may engage us to provide either service exclusive of the other. 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. Also, you may see the term Associated Person throughout this Brochure. 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.

### Financial Planning and Consulting Services

We offer broad-based, modular, and consultative financial planning services. Our financial planning services typically involve providing a variety of advisory services regarding the management of your financial resources based upon an analysis of your individual needs. Financial planning services may include but may not be limited to investment planning, estate planning, tax planning, asset protection planning, retirement planning and wealth planning. If you retain our firm for financial planning services, we will meet with you to gather information about your financial circumstances and objectives. Once we review and analyze the information you provide to our firm we will deliver a written plan to you, designed to help you achieve your stated financial goals and objectives.

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. You should also be aware that our financial plans may contain certain assumptions with respect to interest and inflation rates, along with past trends and performance of the market and economy. Past performance is in no way an indication of future performance. You must promptly notify our firm if your financial situation, goals, objectives, or needs change.

We provide an initial financial plan for a fee of .20% of the value of the total assets covered by the plan with a minimum fee of \$1,000. We charge an annual fee of .05% of the total assets covered by the plan for updates to the financial plan. Our fees are negotiable and will depend on the scope and complexity of the plan, your situation, and your financial objectives. An estimate of the total time/cost will be determined at the start of the advisory relationship. In limited circumstances, the cost/time could potentially exceed the initial estimate. In such cases, we will notify you and request that you approve the additional fee. We require that you pay one half of the fee in advance and the remaining portion upon the completion of the services rendered. We will not require prepayment of a fee more than six months in advance and in excess of \$1200.

For consultative planning, where we advise you on specific financial related topics, fees may be due and payable upon completion of services rendered and may be charged on a negotiable hourly or fixed fee basis. In certain circumstances other fee payment arrangements may be made, which will be determined on a client by client basis.

We will invoice you for financial planning fees or we will deduct our fee directly from your account through the qualified custodian holding your funds and securities. We will deduct our 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.

You may terminate the financial planning agreement with written notice within 5 days of the signing of the agreement, without penalty. Thereafter, you may terminate the financial planning agreement upon 30 day's written notice to our firm. You will incur a pro rata charge for services rendered prior to the termination of the agreement. If you have pre- paid fees that we have not yet earned, you will receive a prorated refund of those fees.

In some cases we may waive or offset the financial planning fees should you choose to implement the advice through our portfolio management services as described above or by purchasing insurance or a commissioned product through associated persons acting as insurance agents or as registered representatives of LPL. We reserve the right to determine whether the financial planning fees will be waived or offset by the fees earned in the implementation process. However, 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 financial plan through portfolio management services and are free to act on our recommendations by placing securities transactions with any brokerage firm of your choice.

### **Portfolio Management Services**

We provide discretionary portfolio management services tailored to meet the needs and investment objectives of our clients. We provide portfolio management services based on static and dynamic model portfolios. Static model strategies are based on current and past performance of different sectors and dynamic model strategies are generally more aggressive in nature based on current and expected future performance of asset classes.

If you retain our firm for portfolio management services, we will meet with you to determine your investment objectives, risk tolerance, and other relevant information (the "suitability information") at the beginning of our advisory relationship. We will use the suitability information we gather to develop a strategy that enables our firm to construct an investment portfolio for you which will be based on a model portfolio. Once we select a model portfolio for you, we will monitor your portfolio's performance on an ongoing basis and will rebalance the portfolio as required by changes in market conditions and in your financial circumstances.

We offer discretionary and non-discretionary authority to manage your account. Written discretionary authorization will allow our firm to determine the specific securities, and the amount of securities, to be purchased or sold for your account without your approval prior to each transaction. Discretionary authority is typically granted by the investment advisory agreement you sign with our firm or trading authorization forms. If you enter into non-discretionary arrangements with our firm, we must obtain your approval prior to executing any transactions on behalf of your account.

IAP may recommend a Wrap Fee Program for the client's account(s). A "wrap fee program" for purposes of the SEC is a program under which investment advisory and brokerage execution services are provided for a single "wrapped" fee that is not based on the transactions in a client account. IAP provides discretionary investment advisory services to some of its clients through a managed account program ("the Wrap Fee Program"). IAP will assist clients in determining the suitability of the Wrap Fee Program for the client. Wrap Fee Program accounts recommended by IAP are not managed differently from non-Wrap Fee Program accounts, and the fee schedule below applies to Wrap Fee Program accounts. Because brokerage execution costs are included in the client's overall advisory fee, the client's fee may be greater than those that have accounts in non-Wrap Fee Program accounts, however fees will not exceed the fee schedule above. Clients with Wrap Fee Program accounts will be provided with IAP's Wrap Fee Brochure.

Our fee for portfolio management services is based on a percentage of your assets we manage and is set forth in the following fee schedule:

Assets Under Management	Annual Fee**
First \$1,000,000	2.25%
\$1,000,000 - \$2,000,000	1.80%
\$2,000,000 - \$5,000,000	1.55%
\$5,000,000 - \$25,000,000	1.00%
\$25,000,000 - \$50,000,000	0.90%
\$50,000,000 and above	0.80%

\*\*We impose a minimum annual fee of \$2,000 per household. The fee schedule is blended, meaning that you will be charged the corresponding fee based upon the value of your account at each tier. Clients may be charged higher or lower fees than the fee schedule above. Some clients may be charged an overall flat percentage rather than blended.

An annual fee of up to \$65 may be assessed on all accounts to cover technology costs.

Our annual portfolio management fee is billed and payable quarterly in advance based on the value of your account on the last day of the previous quarter.

If the client 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.

We will invoice you for advisory fees or we will deduct our fee directly from your account through the qualified custodian holding your funds and securities. We will deduct our 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.

You may terminate the client agreement with written notice within 5 days of the signing of the agreement, without penalty. Thereafter, you may terminate the client agreement upon 30 days written notice to our firm. You will incur a pro rata charge for services rendered prior to the termination of the agreement, which means you will incur advisory fees only in proportion to the number of days in the quarter for which you are a client. If you have pre-paid advisory fees that we have not yet earned, you

will receive a prorated refund of those fees.

### **Wealth Management Reporting**

We offer an on line wealth management reporting service whereby you are able to view all your financial and account information in a consolidated reporting format.

We charge the following fees for such service which is based upon the value of assets reported on as follows:

Asset Value	Annual Fee
Up to \$500,000	0.10%
\$501,000 to \$1,000,000	0.05%
\$1,000,001 to \$5,000,000	0.05%
\$5,000,001 to \$10,000,000	0.05%
Above \$10,000,000	Negotiable

There is a minimum \$75 charge for this service.

### **LPL Financial Advisory Programs**

We provide advisory services through programs sponsored by LPL Financial Corporation ("LPL"), a registered investment advisor and broker-dealer. Below is a brief description of each LPL advisory program. For more information regarding the LPL programs, including more information on the advisory services and fees that apply, the types of investments available in the programs and the potential conflicts of interest presented by the programs please see Form ADV Part 2 or the applicable LPL Wrap Fee Brochure and the applicable client agreement.

#### **Optimum Market Portfolios Program (OMP)**

OMP offers you the ability to participate in a professionally managed asset allocation program using Optimum Funds Class I shares. Under OMP, you will authorize LPL on a discretionary basis to purchase and sell Optimum Funds pursuant to investment objectives chosen by you. We will assist you in determining the suitability of OMP for you and assist you in setting an appropriate investment objective. We will be authorized by you to select a mutual fund asset allocation portfolio designed by LPL's Research Department consistent with your stated investment objective. LPL will have discretion to purchase and sell Optimum Funds pursuant to the portfolio selected for you. LPL will also have authority to rebalance the account. A minimum account value of \$15,000 is required for OMP.

#### **Model Wealth Portfolios Program (MWP)**

MWP offers you a professionally managed mutual fund asset allocation program. We will obtain the necessary financial data from you, assist you in determining the suitability of the MWP program, and assist you in setting an appropriate investment objective. We will initiate the steps necessary to open an MWP account and will be authorized by you to select a model portfolio designed by LPL's Research Department consistent with your stated investment objective. LPL's Research Department is responsible for selecting the mutual funds within a model portfolio and for making changes to the mutual funds selected.

You will authorize LPL to act on a discretionary basis to purchase and sell mutual funds (including in certain circumstances exchange traded funds) and to liquidate previously purchased securities. You will also authorize LPL to effect rebalancing for MWP accounts. In the future, the MWP program may make available model portfolios designed by strategists other than LPL's Research Department. If such models are made available, we will have discretion to choose among the available models designed by LPL and outside strategists. A minimum account value of \$100,000 is required for MWP.

**Fees for LPL Advisory Programs**

The account fee charged to you for each LPL advisory program is negotiable, subject to the following maximum account fees:

OMP 2.5%

MWP 2.5%

Account fees are payable quarterly in advance.

LPL serves as program sponsor, investment advisor and broker-dealer for the LPL advisory programs. Our firm and LPL may share in the account fee and other fees associated with program accounts. Associated persons of our firm may also be registered representatives of LPL (see Section on Other Financial Industries below).

**General**

LPL serves as program sponsor, investment advisor, and broker-dealer for the LPL advisory programs. Additionally, LPL serves as a broker-dealer on LPL advisory program accounts and also provides administrative and back office support services in connection with the programs. For each of their respective services, our firm and LPL may share in the account fee and other fees associated with program accounts. Our firm and LPL are not affiliated companies. Associated persons of our firm may be registered representatives of LPL.

Transactions in LPL advisory program accounts are generally effected through LPL as the Custodian, clearing and executing broker-dealer. We also recommend the brokerage and custodial services of TD Ameritrade Institutional, a division of TD Ameritrade, Inc. Member FINRA/SIPC ("TD Ameritrade"), for which we have an existing relationship.

We receive compensation as a result of your participation in an LPL program. Depending on, among other things, the size of the account, changes in its value over time, the ability to negotiate fees or commissions, and the number of transactions, the amount of this compensation may be more or less than what we would receive if you participated in other programs, whether through LPL or another sponsor, or paid separately for investment advice, brokerage and other services.

**Types of Investments**

We primarily offer advice on equity securities, warrants, corporate debt securities, commercial paper, certificates of deposit, municipal securities, investment company securities, U.S. Government securities, options contracts on securities, interests in partnerships investing in real estate and oil and gas, managed futures, hedge funds and other alternative investments.

Additionally, we may advise you on any type of investment that we deem appropriate based on your stated goals and objectives. We may also provide advice on any type of investment held in your portfolio at the inception of our advisory relationship.

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.

**Educational Seminars and Speaking Engagements**

IAP strongly believes in investor education. As such, IAP hosts educational workshops and seminars to clients and prospective clients. IAP may or may not charge for attending an educational workshop or seminar, depending on the volume and costs of materials provided to the attendees, length of the



session, cost of venue, etc. If IAP does charge for attendance, the charge will not exceed \$100 per attendee.

### **Assets Under Management**

As of March 3, 2019, we manage approximately \$199,626,616 in client assets on a discretionary basis, and \$0 in client assets on a non-discretionary basis.

## **Item 5 Fees and Compensation**

Please 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 invest, or recommend that you invest, in mutual funds and exchange traded funds. We will invest your account, when suitable, in no load mutual 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 Brochure.

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

#### **Securities**

Associated Persons providing investment advice on behalf of our firm are registered representatives with LPL Financial Corporation ("LPL"), a registered general securities broker-dealer and investment adviser licensed under federal and state securities laws. LPL is a member of the Financial Industry Regulatory Authority, Inc. ("FINRA") and the Securities Investors Protection Corporation ("SIPC"). In their capacity as registered representatives, these persons receive commission-based compensation in connection with the purchase and sale of securities (such as stocks, bonds, variable annuities, and limited partnerships), including 12b-1 fees for the sale of investment company products ("mutual funds"). (We do not receive 12b1-fees for securities in advisory accounts). Compensation earned by these persons in their capacities as registered representatives 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.

#### **Insurance**

In addition, Associated Persons of our firm are also licensed as independent insurance agents with various insurance agencies and can sell insurance products to you (i.e. life, health, and long term care products) and earn commissions. Our firm is also a licensed insurance agency and may also receive commissions from the sale of 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.

Any material conflicts of interest between you and our firm, or our employees are disclosed in this Disclosure Brochure. If at any time, additional material conflicts of interest develop, we will provide you with written notification of the material conflicts of interest or an updated Disclosure Brochure.

## **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, banks and thrift institutions, pension and profit sharing plans, trusts, estates, charitable organizations, corporations, and other business entities.

### **Minimum Account Size**

We impose a minimum annual fee of \$2,000 per household for portfolio management services.

LPL Financial Advisory Programs

LPL OMP: this program has a minimum account size of \$15,000.

LPL PWP: this program has a minimum account size of \$250,000.

LPL MWP: this program has a minimum account size of \$100,000.

LPL Manager Access Select: this program has a minimum account size of \$100,000, however, in certain instances; the minimum account size may be lower or higher.

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

### **Our Methods of Analysis and Investment Strategies**

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. Although fundamental analysis is a well-recognized method of analysis, information obtained through this type of analysis 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.
- **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. However, technical analysis 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.

- **Cyclical Analysis** - a type of technical analysis that involves evaluating recurring price patterns and trends. When utilizing cyclical analysis, economic/business cycles may not be predictable and may have many fluctuations between long term expansions and contractions. The lengths of economic cycles may be difficult to predict with accuracy and therefore the risk of cyclical analysis is the difficulty in predicting economic trends and consequently the changing value of securities that would be affected by these changing trends.
- **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.
- **Options Trading/Writing** - 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. We only engage in options trading on a limited basis.

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.

We may use short-term trading (in general, selling securities within 30 days of purchasing the same securities) as an investment strategy when managing your account(s). Short-term trading is not a fundamental part of our overall investment strategy, but we may use this strategy in limited circumstances when we determine that it is suitable given your stated investment objectives and tolerance for risk.

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 continuously consult with a tax professional prior to and throughout the investing of your assets.

### **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. 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.

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

As disclosed under the "Advisory Business" section in this Brochure, we recommend a variety of securities and we do not necessarily recommend one particular type of security over another since each client has different needs and different tolerance for risk. Each type of security has its own unique set of risks and even with the same type of security, risks can vary widely. In general terms, the higher the anticipated return of an investment, the higher the risk of loss associated with it. We have identified the more common types of securities we recommend and general risks associated with such investments as follows.

Commercial Paper (CP) is, in most cases, an unsecured promissory note that is issued with a maturity of 270 days or less. Being unsecured the risk to the investor is that the issuer may default. There is a less risk in asset based commercial paper (ABCP). The difference between ABCP and CP is that instead of being an unsecured promissory note representing an obligation of the issuing company, ABCP is backed by securities. Therefore, the perceived quality of the ABCP depends on the underlying securities.

Certificates of deposit are generally the safest type of investment since they are insured by the federal government. However, because the returns are generally very low, it's possible for inflation to outpace the return. Likewise, US Government securities are backed by the full faith and credit of the United States government but it's also possible for the rate of inflation to exceed the returns.

Municipal securities, while generally thought of as safe, can have significant risks associated with them including, but not limited to: the credit worthiness of the governmental entity that issues the bond; the stability of the revenue stream that is used to pay the interest to the bondholders; when the bond is due to mature; and, whether or not the bond can be "called" prior to maturity. When a bond is called, it may not be possible to replace it with a bond of equal character paying the same amount of interest or yield to maturity.

There are numerous ways of measuring the risk of equity securities (also known simply as "equities" or "stock"). In very broad terms, the value of a stock depends on the financial health of the company issuing it. However, stock prices can be affected by many other factors including, but not limited to: the class of stock (for example, preferred or common); the health of the market sector of the issuing company; and, the overall health of the economy. In general, larger, more well established companies ("large cap") tend to be safer than smaller start-up companies ("small cap") but the mere size of an issuer is not, by itself, an indicator of the safety of the investment.

Mutual funds and exchange traded funds are professionally managed collective investment systems that pool money from many investors and invest in stocks, bonds, short-term money market instruments, other mutual funds, other securities or any combination thereof. The fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. While mutual funds and ETFs generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market, primarily invests in small cap or speculative companies, uses leverage (i.e., borrows money) to a significant degree, or concentrates in a particular type of security (i.e., equities) rather than balancing the fund with different types of securities. Exchange traded funds differ from mutual funds since they can be bought and sold throughout the day like stock and their price can fluctuate throughout the day. The returns on mutual funds and ETFs can be reduced by the costs to manage the funds. Also, while some mutual funds are "no load" and charge no fee to buy into, or sell out of, the fund, other types of mutual funds do charge such fees which can also reduce returns. Mutual funds can also be "closed end" or "open end". So-called "open end" mutual funds continue to allow in new investors indefinitely which can dilute other investors' interests.

Corporate debt securities (or "bonds") are typically safer investments than equity securities, but their risk can also vary widely based on: the financial health of the issuer; the risk that the issuer might default; when the bond is set to mature; and, whether or not the bond can be "called" prior to maturity. When a bond is called, it may not be possible to replace it with a bond of equal character paying the same rate of return.

Options and warrants give an investor the right to buy or sell a stock at some future time at a set price. 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. The main difference between warrants and call options is that warrants are issued and guaranteed by the issuing company, whereas options are traded on an exchange and are not issued by the company. Also, the lifetime of a warrant is often measured in years, while the lifetime of a typical option is measured in months.

A limited partnership is a financial affiliation that includes at least one general partner and a number of limited partners. The partnership invests in a venture, such as real estate development or oil exploration, for financial gain. The general partner does not usually invest any capital, but has management authority and unlimited liability. That is, the general partner runs the business and, in the event of bankruptcy, is responsible for all debts not paid or discharged. The limited partners have no management authority and confine their participation to their capital investment. That is, limited partners invest a certain amount of money and have nothing else to do with the business. However, their liability is limited to the amount of the investment. In the worst case scenario for a limited partner, he/she loses what he/she invested. Profits are divided between general and limited partners according to an arrangement formed at the creation of the partnership.

## **Item 9 Disciplinary Information**

Neither our firm nor any 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 LPL Financial Corporation. Please see the "Fees and Compensation" section in this Brochure for more information on the compensation received by registered representatives who are affiliated with our firm. As a result of this relationship, LPL Financial may have access to certain confidential information (e.g., financial information, investment objectives, transactions and holdings) about our clients, even if the client does not establish any account through LPL. If you would like a copy of the LPL Financial privacy policy, please contact Robert Pragnell at (423) 870-2140.

### **Insurance Business**

In addition, Associated Persons of our firm are also licensed as independent insurance agents with various insurance agencies and can sell insurance products to you (i.e. life, health, and long term care products) and earn commissions. Our firm is also a licensed insurance agency and may also receive commissions from the sale of 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 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. Persons associated with our firm are also required to report any violations of our Code of Ethics. Additionally, we maintain and enforce written policies reasonably designed to prevent the misuse or dissemination of material, non-public information about you or your account holdings by persons associated with our firm.

Our Code of Ethics is available to you upon request. You may obtain a copy of our Code of Ethics by contacting Robert Pragnell at 423-870-2140 .

### **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. We may also combine our orders to purchase securities with your orders to purchase securities ("block trading"). Please refer to the "Brokerage Practices" section in this Brochure for information on our block trading practices.

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 mitigate this conflict of interest, it is our policy that we shall not have priority over your account in the purchase or sale of securities.

## **Item 12 Brokerage Practices**

We recommend that clients in need of brokerage and custodial services utilize LPL Financial Corporation ("LPL") and/or TD Ameritrade Institutional, a division of TD Ameritrade, Inc. Member FINRA/SIPC ("TD Ameritrade"), for which we have existing relationships.

Associated persons of our firm, who are registered representatives of LPL are subject to FINRA Conduct Rule 3040, which may restrict such registered individuals from conducting securities transactions away from LPL, unless LPL provides the representative with written authorization. Therefore, you are advised that such persons may be limited to conducting securities transactions through LPL or through custodians approved by LPL.

We receive, at no cost, additional products and services from LPL, including, but not limited to, research, software, brokerage, custodial, administrative support, record keeping and related services.

We believe that LPL and TD Ameritrade provide the best services at competitive rates. The reasonableness of commission rates is based on several factors, including the broker's ability to provide professional services, execution, the broker's reputation, experience and financial stability of the broker or dealer, and the quality of service rendered by the broker or dealer in transactions. Best execution is not measured solely by reference to commission rates. Paying a broker a higher commission rate than another broker might charge is permissible if the difference in cost is reasonably justified by the quality of the brokerage services offered.

## **Block Trades**

We may but are not required to combine multiple orders for shares of the same securities purchased for advisory accounts we manage (this practice is commonly referred to as "block trading"). When we block trade, we will then distribute a portion of the shares to participating accounts in a fair and equitable manner. The distribution of the shares purchased is typically proportionate to the size of the account, but it is not based on account performance or the amount or structure of management fees. Subject to our discretion regarding factual and market conditions, when we combine orders, each participating account pays an average price per share for all transactions and pays a proportionate share of all transaction costs. Accounts owned by our firm or persons associated with our firm may participate in block trading with your accounts; however, they will not be given preferential treatment.

In the event orders are not aggregated, clients may receive different prices for the same securities transactions. Furthermore, you may not be able to buy or sell the same quantity of securities and may be charged higher fees or commissions, than if transactions were aggregated.

## **Item 13 Review of Accounts**

Joe Franklin, Managing Member will monitor your account on an ongoing basis and will re-balance your portfolio(s) as market conditions and your circumstances change. In addition, he will conduct internal account reviews on a quarterly basis to ensure that the advisory services provided to you are consistent with your stated investment needs and objectives. Additional reviews may be conducted based on various circumstances, including, but not limited to:

- changes in your financial circumstances;
- contributions and withdrawals;
- year-end tax planning;
- market moving events;
- security specific events; and/or,
- changes in your risk/return objectives.

LPL will provide portfolio management clients with a performance report on a quarterly basis as well as account statements and confirmations of transactions.

LPL Manager Access Select, Model Wealth Portfolios and Personal Wealth Portfolios Programs: In addition to the quarterly portfolio reports described in the Form ADV Part 2 of LPL, LPL will transmit to clients account statements showing all transactions in cash and securities and all deposits and withdrawals of principal and income during the preceding calendar month.

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

We do not compensate anyone for client referrals. In addition, we do not accept payments from other professionals for which we make a referral.

## **Item 15 Custody**

We directly debit your account(s) for the payment of our advisory fees. This ability to deduct our advisory fees from your account(s) 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 contact us directly at the telephone number on the cover page of this brochure.

## **Item 16 Investment Discretion**

You may grant our firm written authorization over 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. Please refer to the *Advisory Business* section in this Brochure for more information on our discretionary management services.

## **Item 17 Voting Client Securities**

### **Proxy Voting**

We will not vote proxies on behalf of 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 common stock or mutual funds, 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, the materials would be forwarded directly to you by mail, unless you have authorized the firm to contact you by electronic mail, in which case, we would forward any electronic solicitation to vote proxies.

## **Item 18 Financial Information**

We are not required to provide financial information to our clients because we do not:

- require the prepayment of more than \$1200 in fees and six or more months in advance, or
- take custody of client funds or securities, or
- have a financial condition that is reasonably likely to impair our ability to meet our commitments to you.

## **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, broker-dealer firms having regulatory requirements to supervise certain activities of Innovative Advisory Partners, LLC, 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 the current privacy policy notice to you on an annual basis. Please contact Robert Pragnell at 423-870-2140, if you have any questions regarding this policy.

**Trade Errors**

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 profit, the profit will be retained by LPL and you will not keep the profit.