



# Applied Capital LLC

## Firm Brochure – Form ADV Part 2A

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This brochure provides information about the qualifications and business practices of Applied Capital LLC. If you have any questions about the contents of this brochure, please contact Chris Williams, Chief Compliance Officer, at (501) 500-0897 or by email at: [chris.williams@appliedcapital.com](mailto:chris.williams@appliedcapital.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. Registration does not imply a certain level of skill or training.

Additional information about Applied Capital LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Applied Capital LLC's CRD number is: 166175. [www.appliedcapital.com](http://www.appliedcapital.com).

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### **Nashville Office**

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## Item 2: Material Changes

The material changes in the brochure from the last updating amendment of Applied Capital LLC as of March 2023 are described below. Material changes relate to Applied Capital LLC's policies, practices, or conflicts of interests.

- Applied Capital LLC has updated Advisory Business (Item 4).
  - Applied Capital LLC has updated Methods of Analysis, Investment Strategies, and Risk of Investment Loss (Item 8).
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## Item 4: Advisory Business

### A. DESCRIPTION OF THE ADVISORY FIRM

Applied Capital LLC is a Limited Liability Company organized in the state of Arkansas. The firm was established in January 2013, and the principal owner is Brad Raines.

### B. TYPES OF ADVISORY SERVICES

Applied Capital LLC (hereinafter "AC") offers the following services to advisory clients:

#### Investment Supervisory Services

AC provides continuous investment management and client education regarding the relevant types of accounts and investment options available. AC assists the client in selecting an appropriate model portfolio for each account based upon their objectives, time horizon, experience, and risk tolerance. AC regularly monitors accounts and makes adjustments as needed. Investment management services include, but are not limited to the following:

- |                        |                         |
|------------------------|-------------------------|
| 1. Investor education  | 4. Asset allocation     |
| 2. Risk tolerance      | 5. Investment selection |
| 3. Investment strategy | 6. Portfolio monitoring |

#### Services Limited to Specific Types of Investments

AC primarily utilizes mutual funds, ETFs, equities, and bonds, but may use other securities when appropriate to further diversify a portfolio or achieve the client's investment objective.

The supplemental security types that AC may use when appropriate include, but are not limited to, private Real Estate Investment Trusts (REITs), interval funds, private credit funds and structured notes.

### C. CLIENT TAILORED SERVICES AND CLIENT IMPOSED RESTRICTIONS

AC offers the same suite of services to all its clients. However, the implementation of investment management is dependent upon the client specific needs, objectives, time horizon, experience,

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and risk tolerance. Clients may impose restrictions in investing in certain securities or types of securities in accordance with their values or beliefs. However, if the restrictions prevent AC from properly servicing the client account, or if the restrictions would require AC to deviate from its standard suite of services, AC reserves the right to end the relationship.

### D. WRAP FEE PROGRAMS

A wrap fee program is an investment program where the investor pays one stated fee that includes management fees, transaction costs, fund expenses, and any other administrative fees. AC does not participate in any wrap fee programs to allow the client to see the different costs of investing and what is provided in return.

### E. AMOUNTS UNDER MANAGEMENT

AC has the following assets under management:

Discretionary Amounts	Non-Discretionary Amounts	Date
\$231,425,686	\$2,371,800	12/31/2022

## Item 5: Fees and Compensation

### A. FEE SCHEDULE

#### Investment Advisory Fees

Total Assets Under Management

Annual Rate	Advisory Fee Tiers		
1.00%	First	\$0	\$250,000
0.90%	Next	\$250,000	\$500,000
0.80%	Next	\$500,000	\$1,000,000
0.70%	Next	\$1,000,000	\$2,000,000
0.60%	Next	\$2,000,000	\$3,000,000
0.50%	Next	\$3,000,000	\$4,000,000
0.40%	Next	\$4,000,000	\$5,000,000
0.30%	Next	\$5,000,000	+

Fees are negotiable depending upon the needs of the client and complexity of the situation.

After previously utilizing both breakpoint and tiered fee schedules, AC has adopted a firmwide

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tiered fee schedule for consistency and uniformity within the industry. Only utilizing a tiered fee schedule structure will make it easier for current or prospective clients to compare AC's fees to other firm's fees within the industry. All breakpoint fee schedules are in the process of being phased out and cannot be used for new clients.

### Legacy Clients

For existing clients, AC's adoption of a firmwide fee schedule may result in a nominal decrease or increase to investment management fees charged. To implement this update, existing clients will be required to sign the current Client Agreement containing the new firmwide fee schedule. All legacy fee schedules are in the process of being phased out and cannot be used for new clients.

Client's total advisory fee may exceed 3.00% annually when accounts are cross-billed. Cross-billing can occur when advisory fees accrued in one account are withdrawn from an alternate account. Cross-billing may result in an individual account advisory fee in excess of the industry norm and lower fees for comparable services may be available from other sources.

Clients may terminate their relationship with AC within 10 days of signing the client agreement with no advisory fees assessed. Either party may terminate the client agreement at any time with written notice. Advisory fees are paid quarterly in arrears; therefore, no refund policy is necessary.

In cases where advisory fees are directly deducted, AC will obtain client authorization and request custodian to deduct advisory fees from client accounts. Advisory fees are itemized on monthly custodian statements which serve as the invoice.

## **B. FEE CALCULATION & VALUATION**

The firm's investment advisory fees have always been charged quarterly in arrears using the average daily balance. The quarter-end balance is used when an account's daily valuation is not attainable as with linked 401(k) or 403(b) accounts. The period used to calculate fees will be the annual fee divided by 4 equal quarters versus days in the quarter. An advisor may exclude specific holdings or accounts from billing. A new client agreement is required to change the fee schedule.

The CCO will periodically review the pricing data of holdings at the custodian. A random sampling of securities will be selected from the custodian, and the pricing data will be compared to a few other sources. Any significant differences will be investigated.

## **C. PAYMENT OF FEES**

### Payment of Investment Advisory Fees

Advisory fees are withdrawn directly from the Accounts with client's written authorization. Under special circumstances, clients may choose to have their advisory fees invoiced and billed directly with payment due within thirty days of invoice date.

Additionally, fees accrued by one account may be allocated to other client accounts to better achieve client's investment objective or improve tax efficiency.

#### D. CLIENTS ARE RESPONSIBLE FOR THIRD-PARTY FEES

Clients are responsible for the payment of all third-party fees (i.e., custodian fees, brokerage fees, mutual fund fees, transaction fees, etc.). Those fees are separate and distinct from the fees and expenses charged by AC. Please see Item 12 of this brochure regarding broker/custodian.

#### E. PREPAYMENT OF FEES

AC collects its fees in arrears. It does not collect fees in advance.

#### F. OUTSIDE COMPENSATION FOR THE SALE OF SECURITIES TO CLIENTS

AC's investment advisors may be licensed insurance agents and could accept compensation for the sale of insurance products to AC clients.

##### This is a Conflict of Interest

The investment advisor may accept compensation for the sale of insurance products in their capacity as a licensed insurance agent. This presents a conflict of interest and gives the supervised person an incentive to recommend products based on the compensation received rather than on the client's needs. When recommending the sale of insurance products for which the investment advisor will receive compensation, they will inform the client of the conflict of interest.

##### Clients Have the Option to Purchase Recommended Products From Other Brokers

Clients always have the option to purchase AC recommended products through other brokers or agents that are not affiliated with AC.

##### Commissions are not the Primary Source of Income for AC

Commissions are not accepted by AC, as they are only paid to individually licensed agents for insurance products only.

##### Advisory Fees in Addition to Commissions or Markups

Advisory fees that are charged to clients are not reduced to offset the commissions or markups on insurance products or investment products recommended to clients.

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

AC does not accept performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.



## Item 7: Types of Clients

AC generally provides investment advice and/or management supervisory services to the following types of clients: Individuals and High-Net-Worth Individuals.

### Minimum Account Size

AC has a preferred account minimum of \$100,000.

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

### A. METHODS OF ANALYSIS AND INVESTMENT STRATEGIES

#### Methods of Analysis

AC primarily utilizes historical index performance data to determine an optimal risk-adjusted projected return for the investment allocation.

#### Investment Strategies

AC primarily focuses on asset allocation and diversification. AC may then employ a market-cap weighted index approach or moderately tilt towards areas of higher expected return.

### B. MATERIAL RISKS INVOLVED

#### Methods of Analysis

The primary risk in utilizing a diversified, index-based approach to asset allocation is that future returns of the indices are lower than their historical performance.

#### Investment Strategies

The risk of a diversified asset allocation is that the market fluctuation or return may be noticeably different than that of a concentrated investment or type of security.

### C. RISKS OF SPECIFIC SECURITIES

AC generally seeks investment strategies that do not involve significant or unusual risk beyond that of the general equity and fixed income markets. However, AC may recommend vetted alternative investments to select clients that complement their core portfolio.

Alternative investments such as REIT funds, interval funds, private credit funds, and structured notes may involve additional risk primarily due to their lack of daily liquidity. The market to resell these assets under applicable securities laws may be less liquid, and liquidation may be taken at a substantial discount to the underlying value, or result in the entire loss of the value of such assets.

Structured notes can provide capital appreciation tied to equity indices, various levels of downside protection to said index, and income or principal protection. However, structured notes also

expose investors to credit risk. If the structured note issuer defaults on these obligations, investors may lose some, or all, of the principal amount they invested in the structured notes as well as any payments that may be due on the structured notes. If a structured note has a “call provision” and the issuer “calls” the structured note, investors may not be able to reinvest their money at the same rate of return provided by the structured note that the issuer redeemed. When a client agrees to a structured note investment strategy, the firm executes a structured notes agreement which describes in detail the risks and rewards associated with this particular investment strategy.

**Past performance is not a guarantee of future returns. Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

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## Item 9: Disciplinary Information

### A. CRIMINAL OR CIVIL ACTIONS

There are no criminal or civil actions to report.

### B. ADMINISTRATIVE PROCEEDINGS

There are no administrative proceedings to report.

### C. SELF-REGULATORY ORGANIZATION (SRO) PROCEEDINGS

There are no self-regulatory organization proceedings to report.

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## Item 10: Other Financial Industry Activities and Affiliations

### A. REGISTRATION AS A BROKER/DEALER OR BROKER/DEALER REPRESENTATIVE

Neither AC nor its representatives are registered as or have pending applications to become a broker/dealer or as representatives of a broker/dealer.

### B. REGISTRATION AS A FUTURES COMMISSION MERCHANT, COMMODITY POOL OPERATOR, OR A COMMODITY TRADING ADVISOR

Neither AC nor its representatives are registered as or have pending applications to become a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor.

### C. REGISTRATION RELATIONSHIPS MATERIAL TO AC AND POSSIBLE CONFLICTS OF INTEREST

All investment advisors in their roles as licensed insurance agents may accept compensation for the sale of insurance products to AC clients.

David Cleveland is the owner of Cleveland Accounting & Consulting, PA. From time to time, he may offer clients advice or products from those activities and clients should be aware that these services may involve a conflict of interest. AC always acts in the best interest of the client and clients always have the right to decide whether or not to utilize the services of any representative of AC in such individual's outside capacities.

David Cleveland is a certified accountant. From time to time, they will offer clients advice or products from this activity. AC always acts in the best interest of the client. Clients are in no way required to utilize the services of any representative of AC in their capacity as an accountant.

#### **D. SELECTION OF OTHER ADVISORS AND HOW THIS ADVISOR IS COMPENSATED FOR THOSE SELECTIONS**

AC does not utilize nor select third-party investment advisors. All assets are directly managed by AC.

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

#### **A. CODE OF ETHICS**

We have a written Code of Ethics that covers the following areas: Prohibited Purchases and Sales, Insider Trading, Personal Securities Transactions, Exempted Transactions, Prohibited Activities, Conflicts of Interest, Gifts and Entertainment, Confidentiality, Service on a Board of Directors, Compliance Procedures, Compliance with Laws and Regulations, Procedures and Reporting, Certification of Compliance, Reporting Violations, Compliance Officer Duties, Training and Education, Recordkeeping, Annual Review, and Sanctions. Our Code of Ethics is available free upon request to any client or prospective client.

#### **B. RECOMMENDATIONS INVOLVING MATERIAL FINANCIAL INTERESTS**

AC does not recommend that clients buy or sell any security in which a related person to AC or AC has a material financial interest.

#### **C. INVESTING PERSONAL MONEY IN THE SAME SECURITIES AS CLIENTS**

From time to time, representatives of AC may buy or sell securities for themselves that they also recommend to clients. This may provide an opportunity for representatives of AC to buy or sell the same securities before or after recommending the same securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest. AC will always document any transactions that could be construed as conflicts of interest and will always transact client business before their own when similar securities are being bought or sold.

### D. TRADING SECURITIES AT/AROUND THE SAME TIME AS CLIENT'S SECURITIES

From time to time, representatives of AC may buy or sell securities for themselves at or around the same time as clients. This may provide an opportunity for representatives of AC to buy or sell securities before or after recommending securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest. AC will always transact client's transactions before its own when similar securities are being bought or sold.

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## Item 12: Brokerage Practices

### A. FACTORS USED TO SELECT CUSTODIANS

The following custodians are recommended by AC: TD Ameritrade Institutional, a division of TD Ameritrade Inc. (CRD #7870) Member FINRA/SIPC, TIAA Individual & Institutional Services, LLC (CRD #20472), Fidelity Investments Institutional Services Company, Inc. (CRD #17507), and Charles Schwab & Co., Inc. (CRD #5393). These are recommended based on their relatively low transaction fees, access to mutual funds and ETFs and industry reputation. AC will never charge a premium or commission on transactions, beyond the actual cost imposed by custodian.

#### Research and Other Soft-Dollar Benefits

AC receives research, products, or other services from its custodian or another third-party in connection with client securities transactions ("soft dollar benefits"). There is no minimum client number or dollar number that AC must meet to receive free research from the custodian. There is no incentive for AC to direct clients to a particular custodian over other custodians who offer the same services. However, because this firm does not have to produce or pay for services or products it has an incentive to choose a custodian that provides those services based on its interests rather than the clients' interests. The first consideration when recommending custodians to clients is best execution. AC always acts in the best interest of the client.

#### Brokerage for Client Referrals

AC receives no referrals from a custodian or third party in exchange for using that custodian or third-party.

#### Clients Directing Which Custodian to Use

AC recommends the use of the custodians mentioned above in part A. When clients choose to direct brokerage, AC may be unable to achieve most favorable execution of client transactions. This may cost clients' money because without the ability to direct brokerage, AC may not be able to aggregate orders to reduce transactions costs resulting in higher brokerage commissions and less favorable prices. Not all investment advisors allow their clients to direct brokerage.

### B. AGGREGATING (BLOCK) TRADING FOR MULTIPLE CLIENT ACCOUNTS

AC maintains the ability to block trade purchases across accounts. Block trading may benefit a large group of clients by providing AC the ability to purchase larger blocks resulting in smaller transaction costs to the client. Declining to block trade can cause more expensive trades for clients.

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## Item 13: Review of Accounts

### A. FREQUENCY AND NATURE OF PERIODIC REVIEWS AND WHO MAKES THOSE REVIEWS

AC's Principal Financial Advisors will perform periodic reviews of their office's client accounts at least monthly regarding the client's stated investment objectives and risk tolerance.

### B. FACTORS THAT WILL TRIGGER A NON-PERIODIC REVIEW OF CLIENT ACCOUNTS

Reviews may also be triggered by material market, economic or political events, or by changes in client's financial situations.

### C. CONTENT AND FREQUENCY OF REGULAR REPORTS PROVIDED TO CLIENTS

Each client whose assets are managed by AC will receive a paper or electronic statement from the custodian at least monthly with details of the client's account including assets held and asset value.

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## Item 14: Client Referrals and Other Compensation

### A. ECONOMIC BENEFITS PROVIDED BY THIRD PARTIES FOR ADVICE RENDERED TO CLIENTS

AC does not receive any economic benefit, directly or indirectly from any third party for advice rendered to AC clients.

### B. COMPENSATION TO NON-ADVISORY PERSONNEL FOR CLIENT REFERRALS

AC may compensate individuals for client referrals for a predetermined fixed fee. Clients will never incur higher fees due from a referral relationship and any referral relationship will be fully disclosed to each referred client. AC will always act in the best interest of the client.

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## Item 15: Custody

AC, with client written authority, has limited custody of client's assets through direct fee deduction of AC's fees only. If fees are withdrawn directly from the client's account at the custodian, AC would have



constructive custody over that account and must have written authorization from the client to do so. Clients will receive all account statements and billing invoices that are required in each jurisdiction, and they should carefully review those statements for accuracy.

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### Item 16: Investment Discretion

For those client accounts where AC will have investment discretion, the client has given AC written discretionary authority over the client's accounts with respect to securities to be bought or sold and the amount of securities to be bought or sold. Details of this relationship are fully disclosed to the client before any advisory relationship has commenced. The client provides AC discretionary authority via a discretionary investment management clause in the Client Agreement and/or a limited power of attorney clause in the contract between the client and the custodian.

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### Item 17: Voting Client Securities (Proxy Voting)

AC will not ask for, nor accept voting authority for client securities. Clients will receive proxies directly from the issuer of the security or the custodian. Clients should direct all proxy questions to the issuer of the security.

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### Item 18: Financial Information

#### A. BALANCE SHEET

AC does not require nor solicit prepayment of more than \$1,200 in fees per client, six months or more in advance and therefore does not need to include a balance sheet with this brochure.

#### B. FINANCIAL CONDITIONS REASONABLY LIKELY TO IMPAIR ABILITY TO MEET CONTRACTUAL COMMITMENT TO CLIENTS

Neither AC nor its management have any financial conditions that is likely to reasonably impair our ability to meet contractual commitments to clients.

#### C. BANKRUPTCY PETITIONS IN PREVIOUS TEN YEARS

AC has never been the subject of a bankruptcy petition.

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