

**FIRM BROCHURE**  
Part 2A of Form ADV

**March 28, 2024**

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**Part 2A of Form ADV (the “Brochure”) provides information about the qualifications and business practices of Adams Financial Concepts, LLC (a limited liability company, “AFC”). If you have any questions about the contents of this Brochure, please contact us at (206) 903-1019 and/or [www.adamsfinancialconcepts.com](http://www.adamsfinancialconcepts.com) and/or email [mike@adamsfinancialconcepts.com](mailto:mike@adamsfinancialconcepts.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 AFC (CRD#134545) is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## **ITEM 2: 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.

Since our last annual updating amendment dated March 23, 2023, we have no material changes to report.

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## ITEM 4: ADVISORY BUSINESS

### **Description of Firm**

Adams Financial Concepts, LLC (“AFC” or the “Firm”) is a Seattle, Washington based investment advisory firm founded in 2004. AFC is organized as a Limited Liability Company in the State of Washington. AFC offers customized investment management services through its Custom Portfolio Wealth Management Program (“CPWM”), to individuals, trusts, estates and charitable organizations. AFC manages the CPWM accounts on a discretionary basis only based on the client’s individual goals and circumstances. Every portfolio is custom designed for the client. AFC manages 401(k) and other pension plans usually as a 3(38) advisor, and provides plan participants educational presentations on a complimentary basis.

Additionally, AFC is in the development phase of producing an Online Stock Market game which will serve as a client education and marketing tool for AFC. The game is being developed through Ronmik, LLC, an entity solely owned by AFC principal A. Michael Adams and an AFC client Ronald L Murray.

Adams Financial Concepts, LLC is owned 100% by, A. Michael Adams, Managing Member, President and Principal.

### **Types of Advisory Services Offered**

AFC specializes in investment management services with an objective of building portfolios customized to each individual client with a thorough understanding of their risk-reward objectives and other life objectives. Based upon the client objectives AFC currently offers three types of portfolio management programs for clients to choose from, each of which are described below:

#### **Custom Portfolio Incentive Fee Program (CPIFP):**

As described in greater detail below, AFC, under the Custom Portfolio Incentive Fee Program, provides an option whereby AFC charges performance-based fees. The specific fees charged by AFC for its advisory services will be set forth in each client’s written Agreement. Advisory fees are negotiable under certain circumstances at the sole discretion of AFC, and arrangements with any particular client can differ from those described below.

Within the CPIFP, clients grant to AFC complete discretionary authority (a) to direct the purchase and sale to registered broker dealers to buy and sell securities held in the client’s account(s). AFC shall make investment decisions regarding the Account without prior authorization from Client. AFC will obtain the relevant financial and investment data from Client relating to Client’s investment objectives, risk tolerance and supplemental suitability information for the management of Client’s Account, including any investment restrictions imposed by Client. Client will promptly notify AFC of any material changes Client’s investment objectives, risk tolerance, or financial situation. Unless otherwise instructed in writing by Client

to select specific clearing and custodian, AFC shall choose the clearing and custodian through which to effect purchases and sales.

AFC has the stated objective within the CPIFP to outperform the index for each client account over a longer-term basis (5 years or more) net of all costs and fees. The index for equity accounts is the S&P 500; the index for balanced accounts is 50% S&P 500 and 50% Barclays Aggregate Bond

AFC requires a minimum account size of \$ 1.1 million and a client net worth of \$ 2.2 million excluding house.

AFC will create a portfolio consisting of one or more of the following individual equities, warrants, corporate debt securities, commercial paper, CDs, municipal securities and US Government securities, money markets. AFC will allocate the client's assets among various investments taking into consideration the objectives of the client. Portfolio weighting of individual securities will be determined by each client's individual needs and circumstances. Clients will have the opportunity to place reasonable restrictions on the types of investments that will be made on client's behalf. *However, restrictions may nullify the stated objective above.*

Clients will retain individual ownership of all securities. Portfolios will be rebalanced on a discretionary basis.

AFC will not deviate from their standard approach to investment management of portfolios. AFC recognizes with an incentive to maximize profits it is tempting to take excessive risk. AFC will continue to take no more risk in the CPIC portfolio than it does in a comparable CPWM portfolio with the same objectives and risk tolerances.

AFC continuously monitors and evaluates securities relative to market and industry conditions and while fundamental analysis is the primary method of analysis, AFC can also use charting and technical analysis. AFC utilizes several data resources in gathering historical information. These sources include but are not limited to financial newspapers and magazines, inspection of corporate activities, corporate rating services, research materials and reports, annual reports, 10K, and 10Q and other SEC filings, company press releases. Research services are received in various forms, which can include written reports, or information obtained on the World Wide Web, AFC will at times collect historical data, performance data and data regarding market and industry trends to perform a detailed analysis of asset classes and investment vehicles for use in client portfolios.

AFC will utilize one or more of the following investment strategies in servicing CPIC clients: trading, short sales, margin transaction and short-term and long-term investment strategies. Because margin, short trading, short sales and short-term investment strategies can involve certain additional degrees of risk, they will only be recommended when consistent with the client's stated tolerance for risk.

### **Custom Portfolio Wealth Management Program:**

AFC offers the Custom Portfolio Wealth Management Program ("CPWM" or "Program" to provide the client with customized investment management services. The investment management services provided through CPWM are based on each client's individual investment objectives and goals. A. Michael Adams manages CPWM client portfolios. At the time of the clients' initial investment in the Program, Mr. Adams will assist the clients in determining the client's current financial situation, financial goals and objectives, and attitudes toward risk. This determination will allow Mr. Adams to review the client's situation and determine the appropriate selection of securities. Account supervision is guided by the stated objects of the client. At this time, Mr. Adams is the sole portfolio manager of the CPW Program, but Mr. Adams is transitioning over the next eight to ten years portfolio management to other advisors at AFC. The change will be gradual.

The CPWM's overall investment objective is to potentially outperform the benchmark index for each client account over a longer-term basis (5 years or more), net of all costs and fees. The index benchmark for CPWM equity accounts is the S&P 500 Index; the index benchmark for CPWM balanced accounts is 50% S&P 500 Index and 50% Barclays Aggregate Bond Index; the index benchmark for CPWM fixed income accounts is Barclays Aggregate Bond Index.

AFC requires a minimum account size of \$100,000 for participation in the Program. This account size can be negotiable under certain circumstances, which are disclosed in Item 7.

AFC requests that it be provided with written discretionary authority to determine which securities and the amounts of securities that are bought or sold. Any limitations on this discretionary authority shall be included in the written investment management agreement between each client and AFC. Clients can change/amend these limitations at any time in accordance with the provisions of the agreement. Clients can terminate the contractual investment management agreement of their account with a 30-day written advance notice to AFC. Termination requirements are described in Item 5.

AFC reserves the right to decline acceptance of any client account that directs the use of a specific broker dealer or specific clearing or custodial firm. AFC's fees are based on an established relationship with specific custodial and clearing firms and the designation of a broker-dealer, custodial or clearing firm other than those used by AFC might not be consistent with AFC's established relationships. Notwithstanding the foregoing, AFC is open to opening new relationships with custodial and/or clearing firms where it would be in the best interest of clients.

AFC will ensure that the client has reasonable access to the AFC professionals managing the client's account. AFC will create a portfolio consisting of one or more of the following: individual equities, warrants, corporate debt securities, commercial paper, CDs, municipal securities and U.S. Government securities, and/or money market instruments. AFC will allocate the client's assets among various investments taking into consideration the objectives of the client. Portfolio weighting between market sectors will be determined by each client's individual needs and circumstances. Clients will have the opportunity to place reasonable restrictions on the

types of investments through the investment management agreement that will be made on the client's behalf. Clients will retain individual ownership of all securities. A principal of AFC will implement or make recommendations with respect to changes to a client's account based on market, economic and political circumstances, and the individual characteristics of securities. Portfolios will be rebalanced on a discretionary basis.

### **Future Planning Process (Financial Planning)**

Adams Financial Concepts does “Future Planning” as opposed to traditional “Financial Planning”. We feel that traditional financial planning has 4 flaws that can have a significant detrimental impact keeping clients from reaching their objectives given their risk tolerances. We believe that by *Future Planning*, AFC has a higher probability of delivering a margin of safety over and above traditional financial planning. These services are provided free for clients and for any other person(s) for whom AFC agrees to construct a plan.

Our view is that traditional Financial Planning has these flaws

1. Plans do not adequately provide a margin of safety for black swans (an unpredictable or unforeseen event, typically one with extreme consequences): Plans use statistical averages in their forecasting which work well during normal times but are not geared to deliver or seek a margin of safety for times like the Great Recession of 2007-2009 or the high inflation times of the 1970s.
2. Plans use probability models which are not reflective of actual market probabilities. Probabilities are calculated using Monte Carlo Simulations based on the “Normal distribution” (Bell shaped curve). Stock and bond market annual returns are skewed (weighted) unevenly around the average return. Whether using the Normal Distribution or the so-called “Fat-tailed” distributions neither reflects adequately the realized annual returns.
3. Plans are designed taking into account asset allocation, which can or will reduce volatility in the short-term but at the expense of longer-term margins of safety: Speaking in simple mathematical terms as a hypothetical example: if stocks average 9% per year, bonds 5% per year, and cash 1% per year. If the asset allocation is 1/3 to each of those asset classes, the return is 5% ( $9+5+1$ ). While that may lower the volatility in the short-term, it comes at the expense of longer –term margin of safety.
4. Plans often do not consider increasing longevity and the changes in the living expenses that will come with longer lives.

Our Future Planning focuses on building a portfolio of assets with a margin of safety to withstand the negative black swans that could be part of the future needs of clients. To that end our plans are based on the following:

1. Plans are designed to have a margin of safety with a goal of withstanding negative black swans: the key here is a target margin of safety which we seek to create between 25% and 50% over and above what would be expected with normal market conditions.

2. Plans are based and updated based on Bayes Theorem: We expect probabilities will change from year to year and portfolios need to be adjusted based on new conditions.
3. Plans are established using domestic stocks and bonds and are essentially fully invested: we believe increased returns over the asset allocation can or will increase volatility over the shorter term but can or will result in a higher margin of safety over the longer-term. That is to say, the hypothetical difference between a growth of 5% over 20 years and 9% over 20 years on a portfolio beginning at \$100,000 will be \$265, 320 versus \$560,441. An added margin of safety of almost \$300,000. (We recognize that past performance is no guarantee of future performance; therefore we monitor on a regular basis).
4. Plans are, if possible, designed to generate income during retirement or pre-retirement if needed, without dipping into principal so changes in life expectancy and the cost of that added life will be covered in regular income withdrawals.

### **Services Offered to Retirement Plans:**

AFC provides fiduciary investment management services to retirement plans on either a discretionary or non-discretionary basis. The Employee Retirement Income Security Act of 1974 (“ERISA”) sets standards of conduct for those who manage an employee benefit plan and its assets (“fiduciaries”). Fiduciaries have important responsibilities and are subject to standards of conduct because they act on behalf of participants in a retirement plan and their beneficiaries. These responsibilities include:

- Acting solely in the interest of plan participants and their beneficiaries and with the exclusive purpose of providing benefits to them;
- Carrying out their duties prudently;
- Following the plan documents (unless inconsistent with ERISA); diversifying plan investments; and paying only reasonable plan expenses.

The corporate sponsor of a plan is generally the primary fiduciary and is ultimately responsible for making sure all the fiduciary jobs get done and for determining what fiduciary jobs will be assigned to other parties. Many plan sponsors feel overwhelmed in trying to manage their fiduciary obligations under ERISA.

AFC services are designed to help our clients easily understand, manage, and satisfy their fiduciary obligations under ERISA.

#### **1. Discretionary Investment Management**

For qualified retirement plans, AFC can serve as a discretionary investment manager, as defined in ERISA §3(38) (“3(38) Investment Manager”). In this capacity, the sponsoring employer is relieved of the fiduciary responsibility for investment selection and monitoring.

As a 3(38) Investment Manager, AFC will prepare and maintain an investment policy statement (“IPS”), and will select, monitor, and benchmark plan investments consistent with that



IPS. AFC will also select the qualified default investment and set procedures for assigning investments to specific participants who do not prospectively select investments within the qualified retirement plan. In all cases, individual participants will have the ability to change investments at any time, subject to plan requirements.

### **Participation in Wrap Fee Programs**

AFC does not participate in wrap fee programs.

### **Advisory Agreements**

Prior to engaging AFC to provide investment advisory services, each client is required to enter into a written investment advisory agreement with the Firm, which will describe the management fees to be charged and the terms and conditions under which AFC will render its services. AFC will provide a Brochure and one or more Brochure Supplements to each client or prospective client prior to or at the same time a client executes AFC's investment advisory agreement. AFC will continue to provide services until terminated by the client or AFC in accordance with the provisions outlined within the agreement.

Neither AFC nor the client can assign the investment advisory agreement without the prior written consent of the other party. Transactions that do not result in a change of actual control or management of AFC shall not be considered an assignment.

### **Amount of Client Assets Managed as of: December 31, 2023**

As of December 31, 2023, the following represents the amount of client assets under management by AFC on a discretionary and non-discretionary basis:

Type of Account	Assets Under Management ("AUM")
Discretionary	\$ 57,367,307
Non-Discretionary	\$ 3,059,185
Total:	\$ 60,426,492

## **ITEM 5: FEES AND COMPENSATION**

Fees for investment advisory services are outlined below. All investment advisory fees are outlined in the written investment advisory agreement between AFC and the client.

Clients should be aware that lower fees for comparable services may be available from other sources. Fees charged by AFC are higher than industry standard. Other advisors often charge lower fees for discretionary accounts. Adams Financial Concepts, LLC feels the real value of any investment management is the performance and or final value of the account. AFC feels its part

performance track record (which is published on its website, [www.adamsfinancialconcepts.com](http://www.adamsfinancialconcepts.com)) demonstrates past performance. AFC also recognizes that past performance is no guarantee of future performance.

**Custom Portfolio Incentive Fee Program (CPIFP):**

Client within the CPIFP will compensate AFC on a quarterly basis based on the profits achieved in the prior 3 months. Profits will be the ending value after 3 months minus the beginning value. A high water value will be established as the maximum value the account has achieved at the end of a quarter. A new high water value will only be established when the quarter end value exceeds the previous high water value. This fee is called the incentive fee and will be 20% of the quarterly profits that exceed the previous high water value. This fee represents the following Account fees and charges: the investment management fees of AFC, execution expenses (except those fees and commissions charged by the custodian), account statements, and the Quarterly Review and Analysis. The fee covers the continuous advice based on the stated client objectives, goals, and risk tolerances in addition to portfolio review and security analysis. If the Agreement is terminated prior to any 12 month period, the fee will be calculated on the profits to that date. Clients authorize Adams Financial Concepts to pay the investment management/services directly from the account. The assessment of performance based fees and any allocations based on performance will be done in accordance with all requirements for such compensation arrangements as specified under Rule 205-3 under the Investment Advisers Act and rules promulgated thereunder, including the requirement that such fees will be charged only to “qualified clients” as that term is defined in Rule 205-3(d)<sup>1</sup>.

Fees charged by Adams Financials Concepts, LLC for the CPIFP contracts may be higher than industry standard.

**Custom Portfolio Wealth Management Program (CPWM):**

AFC charges clients an annual investment management fee for CPWM accounts. The annual fee is charged quarterly, in advance, based on a percentage of assets under management of the account at each previous quarter-end and varies dependent on the investment strategy of the account, as set forth below.

**EQUITY AND BALANCED ACCOUNTS: GROWTH ACCOUNTS**

An annual investment management fee for equity and balanced CPWM accounts will be charged according to the following fee schedule:

<b><u>Assets Under Management</u></b>	<b><u>Annual Fee (%)</u></b>
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**EQUITY AND BALANCED ACCOUNTS:**

First \$500,000	2.00%
Next \$500,000	2.00%
Next \$1,000,000	2.00%

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<sup>1</sup> The “qualified client” tests were updated on June 17, 2021 by SEC Release No. 5756 “Order Approving Adjustment for Inflation of the Dollar Amount Tests in Rule 205-3 under the Investment Advisers Act of 1940” with an effective date of August 16, 2021. <https://www.sec.gov/files/ia-5756.pdf>

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Assets over \$2,000,000	1.75%
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**FIXED ASSET ACCOUNTS:**

First \$500,000	1.10%
Next \$500,000	0.92%
Next \$1,000,000	0.75%
Assets over \$2,000,000	0.60%

As of 08/01/2007, a minimum of \$100,000 of assets under management is required for Custom Portfolio Wealth Management Program accounts. Prior to 08/01/2007, a minimum of \$50,000 of assets under management was required for this service. This account size can be negotiable under certain circumstances including, but not limited to, employee and employee related accounts and/or persons who were clients prior to 01/01/2005 who were in transaction-based accounts.

**Pension Plan Agreement (CPWM-PP)**

AFC charges 401(K) and other pension plan clients an annual investment management fee for CPWM-PP accounts. The annual fee is charged quarterly, in arrears, based on a percentage of assets under management of the account at each quarter-end and varies dependent on the investment strategy of the account depending on the investment portfolio for each participant in the plan. Participants who choose the CPWM are charged a fee as shown above based on total assets in the plan. Alternatively, participants choosing mutual funds or ETFs as their investment portfolio will be charged a fee negotiated by the plan sponsor depending on services provided to the plan. Fees on mutual fund and ETF choices will not exceed 1.00% and in general will be less than 1.00%. Services can also include, depending on the agreement, participant education, counselling, debt counselling, retirement planning, retirement preparation, budgeting, etc.

**Future Planning Process (Financial Planning)**

These services are provided free of charge for clients and for any other person(s) for whom AFC agrees to construct a plan, with no additional requirements or fees assessed.

**IMPORTANT ADDITIONAL FEE INFORMATION**

***Deduction of Fees:*** Through the investment advisory agreement, clients provide AFC with authority to invoice the client's custodian directly for payment of AFC's fees. The custodian debits the fees from the client's account(s) as soon as practicable following the last business day of each calendar quarter and sends the amount to AFC. Clients can, if preferred, pay AFC's quarterly fees by check. In such cases, AFC will send the invoice directly to the client. In all instances, the Adviser will send the client a written invoice, including the fee, the formula used to calculate the fee, the fee calculation itself, the time period covered by the fee, and, if applicable, the amount of assets under management on which the fee was based, and if the Adviser charges performance compensation, the client's cumulative net investment gain (or loss), and the amount of cumulative net investment gain above which the Adviser will receive

performance compensation. Also, the Adviser will include the name of the custodian(s) on your fee invoice. The Adviser will send these to the client concurrent with the request for payment or payment of the Adviser's advisory fees. We urge the client to compare this information with the fees listed in the account statement.

Clients will receive a periodic (at least quarterly) account statement from the custodian, reflecting among other things, any fees withdrawn by the custodian and paid to AFC. Clients are urged to compare statements received by their custodian, with any statements/reports sent by AFC. For more information on the reports AFC provides to its clients, please refer to Item 13 below.

***Negotiability of Fees:*** In certain circumstances, all fees and account minimums can be negotiated in the sole discretion of AFC.

***Terminations and Withdrawals:*** A client agreement can be canceled at any time, by either party, for any reason upon receipt of 30 days written notice. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable. The client has the right to terminate an agreement without penalty within five business days after entering into the agreement.

***Additional Costs:*** Clients should understand that the advisory fees described above do not include certain charges imposed by third parties such as custodial fees, commissions, and mutual fund fees and expenses. Client assets may be subject to transaction costs, retirement plan administration fees (if applicable), deferred sales charges on mutual funds initially deposited in the account, 12b-1 fees, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions.

AFC does not anticipate that it will invest a Custom Portfolio Wealth Management Program account in mutual funds. Nevertheless, if mutual funds are included in portfolios, clients should be aware that all fees paid to AFC for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the mutual fund also imposes sales charges, a client could likely pay an initial or deferred sales charge. A client could invest in a mutual fund directly, without the services of AFC. The client should review both the fees charged by the mutual funds, the transaction fees charged by the custodian, and the fees charged by AFC to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

As referenced, clients could incur brokerage commissions and other execution costs charged by the custodian or executing broker-dealer in connection with transactions for a client's account. Clients should understand that all custodial fees and any other charges, fees and commissions incurred in connection with transactions for a client's account will be paid out of the assets in the account and are exclusive of and in addition to the fees charged by AFC. AFC does not share in any of these fees but can elect at its option, to bear the cost of certain transactions under certain

circumstances. Please refer to Item 12 of this Brochure entitled “Brokerage Practices” for additional important information about the brokerage and transactional practices of AFC.

As stated in Item 4 above, AFC is in the development phase of producing an Online Stock Market game which will serve as a client education and marketing tool for AFC. After development is complete, the Firm will charge a subscription fee for use of the game. No client will be required to subscribe and no advisory services shall be impacted whether or not a client participates.

## **ITEM 6: PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

As noted in Item 5 above, AFC can charge certain clients a performance-based fee (*i.e.*, a fee calculated based on a share of capital gains upon or capital appreciation of the assets or any portion of the assets of an advisory client). Such performance fees will only be charged to clients who meet the definition of “qualified client” as defined in Rule 205-3(d) of the Advisers Act. All such fees will only be charged in accordance with the provisions of Rule 205-3 of the Advisers Act.

Performance-based compensation payable to AFC may be larger than otherwise would be the case if the fee was calculated as a percentage of assets under management because the amount of the fee will be based on account performance (which includes realized gains and losses). Performance-based fee arrangements can result in a conflict of interest because the receipt of such performance-based compensation has potential to create an incentive for AFC to make investments that are riskier or more speculative than would be the case in the absence of a performance-based fee structure. Such fee arrangements also create an incentive for AFC to favor higher fee-paying accounts over other accounts in the allocation of investment opportunities and could cause the portfolio manager to devote a disproportionate amount of time to the management of accounts that are charged a performance-based fee.

AFC’s side-by-side management of accounts that are charged an asset-based fee and accounts that are charged a performance-based fee is governed by AFC’s internal policies and procedures and Code of Ethics (see Item 11, below), which are designed and implemented to ensure that all clients are treated fairly and equitably, and to prevent the conflicts described above from influencing the allocation of investment opportunities among clients. Performance-based fee structures could also create an incentive for AFC to over-value certain assets held by clients. AFC has adopted policies designed to promote fair, accurate and current valuations of securities and portfolios. AFC utilizes, to the fullest extent possible, the most recent prices reported by the largest securities exchange on which such securities are traded and/or qualified custodians for timely valuation information for advisory client securities and portfolios.

## ITEM 7: TYPES OF CLIENTS

### *Description*

AFC manages portfolios for individuals, trusts, pension plans, ERISA accounts and institutions.

### *Conditions for Managing Accounts*

#### **Custom Portfolio Wealth Management Program (CPWM):**

A minimum of \$100,000 of assets under management is required for the Custom Portfolio Wealth Management Program (CPWM). This account size can be negotiable under certain circumstances including, but not limited to, employee and employee related accounts and/or for persons who were clients prior to 01/01/2005 and were in transaction-based accounts. Individual accounts from the same household or families can be aggregated to qualify for the minimum \$100,000. A 401(k) plan with over \$100,000 will qualify and each participant will qualify for the CPWM program.

## ITEM 8: METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

AFC continuously monitors and evaluates securities relative to market and industry conditions and uses charting, technical, and/or fundamental analysis in this process. AFC utilizes several data resources in gathering historical information (see paragraph below).

AFC can utilize one or more of the following investment strategies in servicing Program clients: trading, short sales, margin transactions and short-term and long-term investment strategies. Because margin transactions, short sales, and short-term investment strategies can involve certain additional degrees of risk and cost, they will only be recommended when consistent with the client's stated tolerance for risk.

AFC can utilize a number of sources of financial information in the firm's analysis of securities including financial newspapers and magazines, inspection of corporate activities, corporate rating services, research materials and reports, annual reports, prospectuses, SEC filings and company press releases. Research services are received in various forms, which can include written reports, or information obtained on the World Wide Web. In certain circumstances, AFC will collect historical data, performance data and data regarding market and industry trends to perform a detailed analysis of asset classes and investment vehicles for use in client portfolios.

AFC believes that both the stock and bond markets tend to be efficient in the long term, but are inefficient in the short term.

- For each company, the ownership shares have both a price and a value. The value is what the company is worth; the price is the current market *perception* of what the company is worth.
- AFC wishes to buy those stocks and bonds that have values significantly above the market price of the security.

AFC believes there are relatively long-term relationships between the Consumer Price Index, the return on bonds and the return on equities.

- The usual long term historical relationship between high quality, longer term bond yields is that investors seek a default-free rate of return between 1.5% and 3%. This default-free rate of return is over and above the rate premium derived from the expected rate of inflation and from the perceived risk due to credit quality of the debt.
- There are usually two situations in which bond yields rise: (1) rising inflation and (2) deteriorating credit quality.
- The longer term historical relationship between the return on the equity market and the bond market is that investors seek about 2% to 3% higher return from equities over the relative debt instruments.

AFC believes that the way to make money in the stock market is to find those situations where the value of a stock is significantly greater than the price of the stock.

- AFC looks for (but is not limited to) industries that have high growth possibilities. Within those industries, we seek companies that have both a strategic and executable business propositions. The viability of the company's concept is a key component of our analysis. Our time horizon is two to five years for the value of a stock to be realized in its price.
- AFC's definition of value is either the potential growth of earnings relative to the current price earnings ratio, or the price to sales anticipated five years out in comparison with the peer group (where the price earnings ratio is not meaningful). The other definition of value is where the company has a tangible asset(s) that are not recognized in the price of the stock (e.g., cash greater than the price of the stock).
- AFC believes there are certain industries that can be valued in relation to their long term potential relative to their risk profile. Companies that are led with experienced managements, which have products that are blockbusters, can be compared to current peer companies on an expected price to sales ratio to determine the upside potential. While the upside appreciation potential may be significantly higher than normal equity market returns, because these companies are unproven, there is the potential for the loss of the entire investment amount in this particular security. (The allocation of these type securities in the portfolios will vary according to the risk tolerance of the individual investment account.)
- For companies with earnings, AFC seeks stocks that have at least twice the upside potential as downside risk. Mathematically, if there is a 50-50 chance of meeting either the upside or downside, the break-even point we need to be right on only 33% of the stocks we pick.
- For companies without current earnings, but with future potential, AFC is seeking at least a five to one ratio of upside potential to downside risk. Mathematically, if there is an 80% chance of being wrong, the ratio to breakeven is 20%. In other words, we need only be right 1 in 5 times to break even.
- AFC will often add to a position when the fundamentals either improve or remain the same after a share price drop. (Those fundamentals are the expected return/risk ratio of at least 2:1)

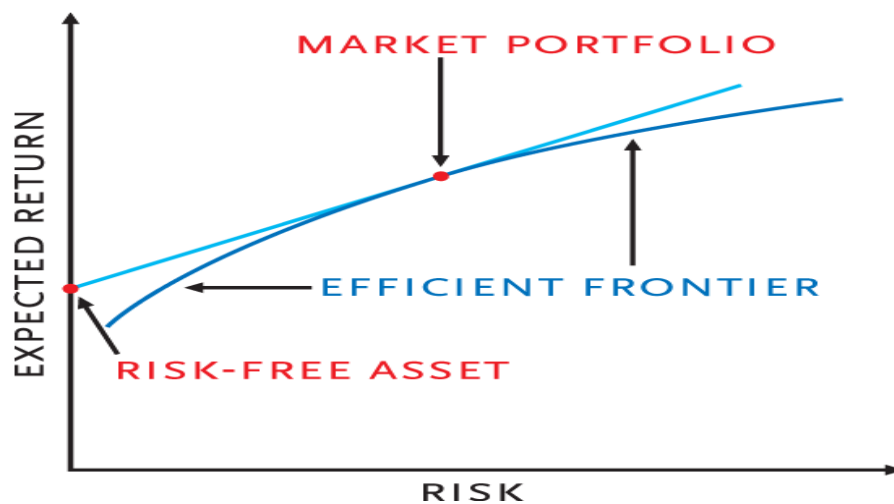
AFC attempts to manage risk in portfolios.

- AFC manages risk through diversification and controlling the percentage of bonds in the portfolio to reduce volatility. The greater the percentage of bonds, the lower the expected volatility.
- From a theoretical point of view, there should be an equity selection based strictly on the reward/risk profile. However, from a practical standpoint, there should be no more than 20% (cost basis) or 40% (long market value) of securities from any one industry group in the portfolio.
- AFC evaluates each client's situation and determine a risk profile that is suitable for their situation and their goals. AFC will adjust, as necessary, the risk in an individual's portfolio by increasing bonds and holding cash, along with more conservative security selections.

### *Investment Strategies*

A Michael Adams subscribes to building portfolios in the “Bottoms Up” approach as opposed to “Modern Portfolio Theory” also known as the “Top Down” approach.

The “Top Down” approach began when Harry Max Markowitz wanted to quantify stock price movements. He theorized that stock price fluctuations were due to two influences. The first was the overall stock market. When the stock market is moving up, there is a tendency for all stocks to move up. Conversely, when the stock market moves down, all stocks tend to move down. Markowitz termed this portion of the volatility “beta risk” (see below for the definition of beta risk). Markowitz further defined company specific risk, or “alpha” (see below for definition of alpha risk), as the volatility due to the impact of company specific volatility. Markowitz went further to define what he termed “The Efficient Frontier” (see below for the definition of Efficient Frontier) and theorized there existed a relationship between return and risk where the higher return was associated with higher risk. Removing the beta portion of volatility would leave a curve defining the Efficient Frontier (see chart below).





In 1986 Brinson, Hood, and Beebower (BHB) published a study about asset allocation of 91 large pension funds measured from 1973 to 1985. Their findings showed the great majority of risk (volatility) was due to the beta factor. Subsequent studies of mutual funds and pension funds confirmed this study. Depending on the source, generally accepted by Modern Portfolio Theory adherents is that between 85% to over 90% of the risk (volatility) is due to alpha risk and little is due to the beta or company specific risk.

The Top Down approach to investing, then, begins with looking at the economy and making forecasts of which industry will have the best returns and then looks at the specific companies within that industry. The Top Down approach tends to seek a diverse portfolio spread across industries.

Adams subscribes to the Bottoms Up approach to investing. The Bottoms Up approach tends to overlook economic conditions and focuses on selecting stocks of companies which have favorable attributes. This approach assumes that companies can do well even when their industry is not doing well. It entails a thorough review of the company: its financials, its products, its competitive position, its management.

In 1997 William Jahnke challenged the results of the Brinson, Hood, and Beebower study. Jahnke used the same data. He found the 10 year annual returns of the benchmarks for the 91 pension portfolios ranged from 9.47 percent to 10.57 percent (a spread of 1.1 percent). The actual returns of 91 pension portfolios were 5.85 percent to 13.4 percent (a spread of 7.55 percent). Based on this, the expected range of 1.1 percent divided by the actual range of 7.55 percent means that asset allocation explained just 14.6 percent of portfolio performance.

The phrase “Don’t put all your eggs in one basket” is a strategy of diversification and part of the Modern Portfolio Theory (Top Down) approach to investing. Warren Buffett, perhaps the greatest investor of our time prefers the other approach (Bottoms Up) saying, “Put all your eggs in one basket and watch the basket.”

### **Definitions:**

**Alpha Risk:** The risk specific to a company regardless of whether the market is up or down. Alpha is a coefficient which measures risk-adjusted performance, factoring in the risk due to the specific security, rather than the overall market. A high value for alpha implies that the stock has performed better than would have been expected given its beta. For example, an alpha of 0.4 means the stock outperformed the market-based return by 0.4%.

**Beta Risk:** The risk or volatility relative to the market. A stock with a beta of 1.0 will tend to move higher or lower in tandem with the stock market. A stock with a beta of over 1.0 will tend to move with greater fluctuations than the market and a stock with a beta of less than 1.0 will tend to have a lesser fluctuation than the market.

**Efficient Frontier:** In Modern Portfolio Theory, the efficient frontier is the line on a risk-reward graph that is comprised of all the efficient portfolios that theoretically are the best return that can be achieved for any given risk level. (Of course, Mr. Adams does not subscribe to Modern

Portfolio Theory, and believes that returns achieved by investors such as Warren Buffett, John Templeton, T Rowe Price, Peter Lynch, and others disprove Modern Portfolio Theory. Mr. Adams is in a very small minority of investors that does not believe in Modern Portfolio Theory.)

### Strategy

AFC's strategy consists of three principles. The first is selection of stocks with twice the upside reward as downside risk. The second and third principle relate to the number of stocks in the portfolio. Portfolios are concentrated in 8 to 12 stocks. Adams, relying on his math background, developed this strategy and explains it in mathematical terms.

Principle One: Buy stocks with twice the upside reward as downside risk. Here is an example to illustrate the principle. Buy three stocks, each with twice the upside potential as downside risk: If each stock costs \$10, each with an upside to \$20 and downside loss to \$5.

Beginning Portfolio:

A	\$10
B	\$10
C	\$10
Portfolio	\$30

If only one stock works out, and two fail:

A	\$ 5
B	\$ 5
C	\$20
Portfolio	\$30

Principle Two: Concentrate Portfolios in fewer stocks: This principle came from game theory. Imagine a game with five players. Each has a different risk level for his stake. The game has an edge: each time a player wins, he wins \$2. Each time a player loses, he loses \$1. There are 100 plays.

Player	Bets	Expected Return
1	\$ 1	\$ 150
2	10%	\$ 4,700
3	25%	\$ 36,100
4	40%	\$ 4,700
5	51%	\$ 36

This is based on mathematical game theory. To maximize gain, the optimum number of securities, assuming a 2 to 1 reward- risk ration and a 50-50 chance of winning and losing, is four securities.

Formula is as follows:  $E = \{P(1+b-2b^2)\}^{n/2}$ , where

E= expected value  
P=beginning principal  
b=percent bet each time  
n=number of plays

Addendum to Principle Two: The Case for Concentrated Portfolios:

Several studies have shown that concentrated portfolios outperform the highly diversified portfolios. Two of those studies are cited here. First Union Securities in September 2000, in their Mutual Fund Focus Report stated:

“Financial Research Corporation conducted a study of concentrated funds with 50 or fewer holdings and found the following (results are as of 2/00):  
Over the past 3, 5, and 10-year periods, the average concentrated fund outperformed its category average in all instances.

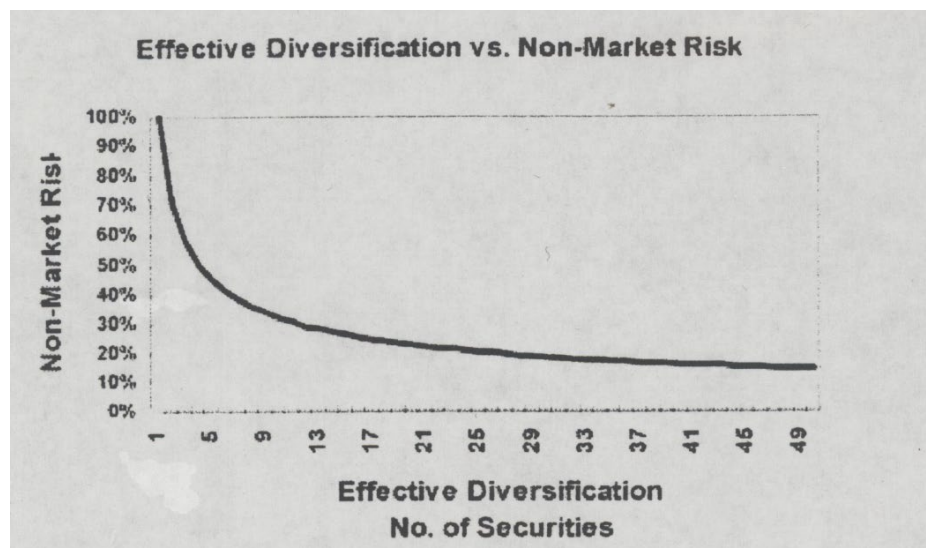
Over the past 3, 5, and 10-year periods, the average concentrated fund ranked in the top one-third of funds in its respective Morningstar category.

This study found that concentrated funds’ higher historical performance came with higher risk as well.”

While performance may be better with concentrated portfolios, the volatility increases significantly. What that means is this: there is a relationship between reward and volatility risk. The higher the expected return expected, the higher the volatility may be experienced. In fact, studies show that the volatility will be approximately twice the experienced return.

Additional studies have also shown that concentrated portfolios achieve better performance. See, for example, Blume and Friend (1975), Barber and Odean (2000), Grinblatt and Keloharju (2000, 2001), Dorn and Huberman (2005), Goetzmann and Kumar (2005), Kumar (2006), Polkovnichenko (2005), Calvet, Campbell, and Sodin (2006), Campbell (2006), Ivkovic, Sialm, and Weisbenner (2006).

Principle Three: Diversification can be achieved with 8-9 stocks. In 1972, Nobel Prize winner William F. Sharpe published his article “Risk, Market Sensitivity and Diversification,” in *Financial Analysts Journal* showing there was no statistical difference in risk between holding 8-9 stocks and 300 stocks.



Client portfolios are designed with a minimum of 10 securities and seldom more than 15.

### ***Risk of Loss***

There is a risk of loss from investing in securities that client must be prepared to bear. AFC's investment recommendations are subject to various markets, currency, economic, political and business risks, and such investment decisions may not always be profitable. Clients should be aware that there could be a loss or depreciation to the value of the client's account, which clients should be prepared to bear. There can be no assurance that a client's investment objectives will be obtained and no inference to the contrary is being made.

In addition, generally, the market value of stocks will fluctuate with market conditions, and small cap stock prices generally will move up and down more than large cap stock prices. Small-cap stocks may be subject to a higher degree of risk than more established (large cap) companies' securities. The illiquidity of the small-cap market may adversely affect the value of client investments. The market value of bonds will generally fluctuate inversely with interest rates and other market conditions prior to maturity and will equal par value (face value) at maturity. Interest rates for bonds may be fixed at the time of issuance or purchase, and payment of principal and interest may be guaranteed by the issuer and, in the case of U.S. Treasury obligations, backed by the full faith and credit of the U.S. Treasury. The market value of Treasury bonds will generally fluctuate more than Treasury bills, since Treasury bonds have longer maturities. In addition, there is no assurance that a mutual fund or ETF will achieve its investment objective. Past performance of investments is no guarantee of future results. High yield bonds are considered to be predominantly speculative with respect to the payment of interest and repayment of principal. Such securities may also be subject to greater volatility as a result of changes in prevailing interest rates than other debt securities. Investments in overseas markets (international securities) also pose special risks, including currency fluctuation and political risks, and such investment may be more volatile than that of a U.S. only investment. The risks are generally intensified for investments in emerging markets.

Prior to entering into an investment management agreement with AFC, a client should carefully consider: (1) committing to management only those assets that the client believes will not be needed for current purposes and that can be invested on a long-term basis, usually a minimum of three to five years, (2) that volatility from investing in the stock market can occur, and (3) that over time the client's assets could fluctuate and at any time be worth more or less than the amount invested.

AFC does not represent, guarantee or imply that the services or methods of analysis employed by us can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines.

## **ITEM 9: DISCIPLINARY INFORMATION**

### ***Legal or Disciplinary Events***

Adams Financial Concepts, LLC ("AFC") as a registered investment adviser, is required to disclose all material facts regarding any legal or disciplinary event that would be material to your evaluation of each investment person providing advice to you. On February 20, 2014 entered into a consent order with the Washington State Department of Financial Institutions ("DFI") without admitting or denying the Department of Financial Institution's allegations. The DFI allegations were based on the firm not completing four years of audits and providing certain disclosures verbally as opposed to in writing as required by Washington State statutes. Neither AFC, nor A. Michael Adams were alleged to have caused loss to client assets, nor were any licenses or registrations for AFC or A. Michael Adams revoked. A full copy of the Consent Order is available by contacting AFC. Further, and in relation to this consent order, AFC and Adams Financial Partners, LP ("AFP") filed suit in April 2016 against Patke & Associates, LTD ("Patke"), the Accountancy Firm designated to perform these audits, for not delivering the audits and causing this disciplinary action. The suit was settled by Patke on September 1, 2017.

## **ITEM 10: OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

AFC and its associated persons do not have any financial industry activities, financial industry affiliations, nor recommend other advisers.

### ***Non-Financial Business Activities***

With regard to non-financial business activities for A. Michael Adams, please refer to Mr. Adams' supplement brochure or Form ADV Part 2B.

## **ITEM 11: CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

### ***Code of Ethics Summary***

The Investment Advisers Act of 1940 imposes a fiduciary duty on all investment advisers to act in the best interest of its clients. AFC has a Code of Ethics that serves as a guide for the proper conduct of business for all employees. Central to that Code of Ethics (“Code”) is the tenet that our clients are first and foremost priority in all aspects of our business. Client interests will always be placed ahead of AFC business interests and the interests of all employees of AFC. To that end, AFC has adopted personal securities transaction policies in the form of a Code which all AFC associated persons must follow. This Code provides such personnel with guidance in their ethical obligations regarding their personal securities transactions and fiduciary duties formulating the basis of all of our client dealings. Specifically, the Code requires certain personnel to report personal trades and holdings. The Code also contains procedures for reporting violations and enforcement. The Code is reviewed and distributed to AFC associated persons annually

A full copy of the Code of Ethics is available from AFC. You can contact AFC’s A. Michael Adams and request a copy.

### ***Participation or Interest in Client Transactions and Personal Trading***

AFC or individuals associated with AFC can buy or sell securities identical to or different from those recommended to clients for their personal accounts. No person employed by AFC shall prefer his/her own interests to those of advisory clients. AFC prohibits the use of material non-public information. In addition, any related person can have an interest or position in certain securities which could also be recommended to a client. Such interest presents a conflict of interest and will be disclosed in writing to the AFC affected client prior to execution of the trade or transaction.

AFC does not affect any principal or agency cross securities transactions for client accounts, nor does it affect cross-trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Should AFC ever decide to affect principal trades or cross-trades in client accounts, it will comply with the provisions of Rule 206(3) of the Advisers Act.

## ITEM 12: BROKERAGE PRACTICES

### *Selection Criteria*

AFC currently requires that each client use Interactive Brokers (“Interactive Brokers”) as the custodian and broker of record for the client account. However, under special conditions AFC can direct the client to another custodian. The services that Interactive Brokers provides to AFC clients are typically not available to retail investors. The services are provided by Interactive Brokers so long as AFC maintains a minimum amount of its clients’ assets with Interactive Brokers. As part of these services, Interactive Brokers does not charge custodial fees for an account as long as the account’s transactions are placed with Interactive Brokers for execution. Interactive Brokers charges a transaction fee per transaction for each account. All fees and charges are fully disclosed on the account statements sent by Interactive Brokers to each client.

AFC understands and acknowledges that at all times we owe a fiduciary duty to our clients to continually seek best execution for their transactions. We believe that our relationship with Interactive Brokers help us to execute securities transactions for clients in such a manner that the client’s total cost in each transaction is as favorable as possible under prevailing market conditions.

### *Order Aggregation*

AFC will seek to execute block trades where possible and when advantageous to clients. This blocking of trades permits the trading of an aggregate of securities composed of assets from multiple client accounts. Block trading can permit equity trades in a timelier and more equitable manner while allowing AFC to obtain an average share price for clients participating in the block. Block trading can also reduce the overall commission charges absorbed by AFC. Blocked trades will generally be allocated on a pro rata basis. However, adjustments to this pro rata allocation can be made to avoid having odd amounts of shares held in any client account, or to avoid deviations from predetermined minimum/maximum holdings limits (established for any account).

Block trading can permit equity trades to be executed in a timelier and more equitable manner while allowing AFC to obtain an average share price for accounts participating in the block. Notwithstanding the potential benefits of block trading, a conflict of interests can arise when blocking trades and allocating fills among performance-based fee accounts and nonperformance-based fee accounts such as AFC's Growth accounts. Under these circumstances, AFC could have a financial incentive to favor the performance-based fee account over other accounts participating in the aggregated order.

To ensure AFC’s fiduciary obligations, the following procedures apply to AFC's allocation of blocked trades:

- For bunched orders that require multiple executions, AFC will attempt (where possible) to obtain an average price, which will be provided to all participating clients by the executing broker.

- In certain situations where it is not possible for clients to receive an average price. A Michael Adams will perform periodic comprehensive reviews to ensure that no client is consistently advantaged over other clients.
- For complete fill aggregated trades (i.e. where each participating account obtains or sells out the amount of a security initially requested in the trade order placed by AFC), the allocation instructions furnished to the clearing broker will equate to the initial allocation recorded on the order ticket.
- For partial fill aggregated orders (i.e. where the intended combined amount of shares or interest in a security being purchased or sold in a bunched trade is not obtained on the same day by the executing broker), the allocation instructions furnished to the clearing and/or executing broker will be based upon a prorated method in which each participating account will obtain or sell a portion of the initially ordered amount of a security that is equal to the portion, or percentage, of the combined amount of an ordered security actually obtained or sold.

### ***Soft Dollar Compensation***

AFC's general policy is not to accept soft dollar compensation. Section 28(e) of the Exchange Act ("Section 28(e) allows investment advisers to use client commissions to pay for brokerage and research services under certain circumstances without breaching their fiduciary duties to clients. This practice is commonly referred to as "soft dollars". Brokerage and research services can include, among other things, effecting securities transactions and performing services incidental thereto (such as clearance, settlement and custody) and providing research information regarding the economy, industries, sectors of securities, individual companies, statistical information, taxation; political developments, legal developments, technical market action, pricing and appraisal services, credit analysis; risk measurement analysis and performance analysis. Such research information can be received in the form of written reports, telephone conversations, personal meetings with security analysts and/or individual company management, and attending conferences. The research services provided by a broker may be proprietary (*i.e.*, provided by the broker providing the execution services) and/or provided by a third party (*i.e.*, originates from a party independent from the broker providing the execution services).

Under Section 28(e), advisers can cause clients to pay brokerage commissions that are in excess of commissions that another broker might have charged for effecting the same transaction, so long as such adviser makes a good faith determination that the amount of commissions paid are reasonable in relation to the value of the brokerage and research services received. This must be viewed in terms of either the specific transactions or an adviser's overall responsibility to the accounts for which it exercises investment discretion.

Section 28(e) also permits advisers to use the research services provided by brokers to service any or all of the adviser's clients, and the services also may be used in connection with clients other than those making the payment of commissions.



Importantly, clients should understand that the use of soft dollars by AFC may be deemed to be an indirect economic benefit to AFC, which creates a conflict of interest between AFC and its clients.

AFC had never received soft dollars and is inclined not to accept any soft dollar arrangements.

### ***Handling Trade Errors***

AFC handles trade errors as soon as practical upon realizing that an error has been made. Errors are charged against AFC's brokerage account and clients are absolved against any loss due to a trade error. Clients will be credited if a trade error is made in their favor and is profitable.

## **ITEM 13: REVIEW OF ACCOUNTS**

A. Michael Adams, Managing Member of AFC, will formally review all accounts at least quarterly. The review will be conducted to determine if the current investment holdings of the account are consistent with the client's investment objectives. More frequent reviews could be triggered by material changes in variables such as the client's individual circumstances, drift from desired portfolio weighting or the market, political or economic environment. The underlying securities within CPW accounts are continuously monitored. CPW and AFC clients will receive account statements and confirmations of transactions directly from their account custodian. Further, all CPW clients will receive quarterly a performance report comparing the client portfolio to an appropriate index as disclosed above. All clients should verify the accuracy of AFC's fee calculation.

## **ITEM 14: CLIENT REFERRALS AND OTHER COMPENSATION**

### ***Compensation for Client Referrals***

AFC has entered into an agreement with one person and is expected to enter into additional agreements with individuals and organizations that refer clients to AFC ("solicitors"). All such agreements will be in writing and comply with the requirements of Rule 206(4)-3 of the Advisers Act. If a client is introduced to AFC by a solicitor, AFC will pay that solicitor a fee in accordance with the requirements of Rule 206(4)-3 of the Advisers Act and any corresponding state securities law requirements. While the specific terms of each agreement can differ, generally, the compensation will be based upon AFC's engagement of new clients and the retention of those clients and is calculated using a varying percentage of the fees paid to AFC by such clients. Any such fee shall be paid solely from AFC's fees, and shall not result in any additional charge to the client.

Each prospective client who is referred to AFC under such an arrangement will receive a copy of AFC's Form ADV Part 2 and a separate written disclosure document disclosing the nature of the relationship between the third-party solicitor and AFC and the amount of compensation that will be paid by AFC to the third party. The solicitor is required to obtain the client's signature acknowledging receipt of AFC's Form ADV Part 2 and the solicitor's written disclosure statement.

### ***Other Compensation***

AFC receives no other compensation than the fees disclosed above.

## **ITEM 15: CUSTODY**

Pursuant to Rule 206(4)-2 of the Advisers Act, AFC is deemed to have custody of client funds because the Firm has the authority and ability to debit its fees directly from clients' accounts. To mitigate any potential conflicts of interests, all AFC client account assets will be maintained with an independent qualified custodian.

For the majority of clients receiving portfolio management services, AFC requires the account assets to be custodied with Interactive Brokers. Other selected independent custodians may be utilized for 401K clients due to the inability of some 401k Plan Record Keepers to work with Interactive Brokers. Other clients could have their assets custodied elsewhere due to the existence of alternative investments within their portfolios which cannot be held at Interactive Brokers.

In addition to the advisory fee charged by AFC, there are transaction charges involved when purchasing and selling securities in client accounts, which are charged by Interactive Brokers. A written confirmation of each transaction including all transaction charges will be sent by Interactive Brokers to the client immediately following execution of each transaction.

Payment of AFC's fees will be made by Interactive Brokers as authorized by AFC. AFC will not have access to client account **assets** for payment of fees without client consent in writing. Further, Interactive Brokers will deliver account statements at least quarterly directly to the client, which will include all transactions that took place in the account during the period covered and reflect any advisory fees deducted and paid to AFC. Clients are encouraged to review their account statements for accuracy and compare them to the invoices sent by AFC. Please contact A. Michael Adams with any questions.

## **ITEM 16: INVESTMENT DISCRETION**

### ***Discretionary Authority; Limitations***

AFC requests from CPWM and CPIFP clients that it be provided with written authority via the investment management agreement to determine which securities and the amounts of securities that are bought or sold. Any limitations on this discretionary authority shall be included in the written investment management agreement between each client and AFC. Clients can change/amend these limitations as required. Such amendments shall be submitted in writing. Clients can terminate the contractual management of their account with a 30-day written advance notice to AFC.

## **ITEM 17: VOTING CLIENT SECURITIES**

### ***Proxy Voting Policy***

As a matter of general firm policy and practice, AFC does not accept the authority to and does not vote proxies on behalf of advisory clients. In most circumstances, clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios though AFC may provide advice to clients regarding the clients voting of proxies.

## **ITEM 18: FINANCIAL INFORMATION**

AFC does not require or solicit prepayment of more than \$500.00 in fees per client, six months or more in advance and therefore is not required to provide, and has not provided, a balance sheet. AFC does not have any financial commitments that impair its ability to meet contractual and fiduciary obligations to clients and has not been the subject of a bankruptcy proceeding.

## **ITEM 19: REQUIREMENT FOR STATE REGISTERED-ADVISERS**

Education and business background, including any outside business activities and disclosable events for all management and supervised persons can be found in the Supplement to this Brochure (Part 2B of Form ADV).

### **Material Relationship Maintained by this Advisory Business or Management persons with Issuers of Securities.**

None to report.