



**Payne Capital Management, LLC**  
*a Registered Investment Adviser*

**Form ADV Part 2A  
Disclosure Brochure  
Dated: March 2024**

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This brochure provides information about the qualifications and business practices of Payne Capital Management, LLC (hereinafter “Payne CM”). If you have any questions about the contents of this brochure, please contact us at (646) 461-7670. 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 Payne Capital Management, LLC is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

References herein to Payne Capital Management, LLC as a “registered investment adviser” or any reference to being “registered” does not imply a certain level of skill or training.

## **Item 2. Material Changes**

There have been no material changes made to this Brochure since Payne CM's last annual update filed on March 23, 2023.

Payne CM's Chief Compliance Officer, Ryan Payne, is available to address any questions that an existing or prospective client has regarding this Brochure.

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## Item 4. Advisory Business

Payne CM has been in business as an independent SEC registered investment adviser since June 2008. Payne CM offers clients a range of comprehensive wealth management solutions, which include financial planning, consulting, and portfolio management. Each of these service offerings encompasses the three pillars of the firm's core philosophy: goal-oriented planning, risk limitation and highly personalized service. The current principal owners of the firm are Ryan M. Payne and Robert J. Payne.

Prior to engaging Payne CM to provide any of the foregoing investment advisory services, the client is required to enter into one or more written agreements with Payne CM setting forth the terms and conditions under which Payne CM renders its services (collectively the "*Agreement*").

As of December 31, 2023, Payne CM had \$387,476,075 in assets under management on a discretionary basis and \$675,003,341 on a non-discretionary basis for a total of \$1,062,479,416 in assets under management.

This Disclosure Brochure describes the business of Payne CM. Certain sections will also describe the activities of *Supervised Persons*. *Supervised Persons* are any of Payne CM's officers, partners, directors (or other persons occupying a similar status or performing similar functions), or employees, or any other person who provides investment advice on Payne CM's behalf and is subject to Payne CM's supervision or control.

### **FINANCIAL PLANNING AND CONSULTING SERVICES**

Payne CM provides clients with a broad range of comprehensive financial planning and consulting services, addressing a variety matters in relation to the following:

- Personal accounts;
- Trust accounts;
- 401(k) plans;
- SEP plans;
- Non-profit organizations;
- Individual retirement accounts;
- Profit sharing plans;
- SIMPLE plans;
- Corporate cash management; and
- Education account

While certain of the above referenced services may be provided to existing clients under an investment management engagement, Payne CM also offers these services on a standalone basis. The firm also offers standalone financial coaching services to individuals and institutional clients. Financial coaching services are provided pursuant to a specialized engagement and are customized to accommodate the specific needs and objectives of a particular client. These services may address debt reduction, household income management and savings strategies, amongst a range of other financial matters.

If requested by the client, Payne CM may recommend the services of other professionals for implementation purposes. The client is under no obligation to engage the services of any such

recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from Payne CM.

If the client engages any recommended unaffiliated professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. At all times, the engaged licensed professional(s) (i.e., attorney, accountant, insurance agent, etc.), and not Payne CM, shall be responsible for the quality and competency of the services provided.

It remains the client's responsibility to promptly notify Payne CM if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating, or revising Payne CM's previous recommendations and/or services.

### **INVESTMENT MANAGEMENT SERVICES**

Payne CM manages clients' investment portfolios on a discretionary and/or non-discretionary basis. Payne CM primarily allocates clients' investment management assets among mutual funds, exchange-traded funds ("ETFs") and *Independent Managers* (as defined below), in accordance with the investment objectives of the client. Payne CM may also provide advice on legacy positions or investments otherwise held in clients' portfolios. Payne CM also may render investment management services to clients relative to variable life/annuity products that they may own, their individual employer-sponsored retirement plans, and/or 529 plans or other products that may not be held by the client's primary custodian.

Payne CM tailors its advisory services to the individual needs of clients. Payne CM consults with clients initially and on an ongoing basis to determine risk tolerance, time horizon and other factors that may impact the clients' investment needs. Payne CM ensures that clients' investments are suitable for their investment needs, goals, objectives, and risk tolerance.

Clients are advised to promptly notify Payne CM if there are changes in their financial situation or investment objectives or if they wish to impose any reasonable restrictions upon Payne CM's management services. Clients may impose reasonable restrictions or mandates on the management of their account.

### **MISCELLANEOUS**

#### **Limitations of Financial Planning and Non-Investment Consulting/Implementation Services.**

As indicated above, to the extent requested by a client, Payne CM may provide financial planning and related consulting services. Neither Payne CM nor its investment adviser representatives assist clients with the implementation of any financial plan, unless they have agreed to do so in writing. Payne CM does not monitor a client's financial plan, and it is the client's responsibility to revisit the financial plan with Payne CM, if desired.

Payne CM **does not** serve as an attorney, accountant, or insurance agency, and no portion of its services should be construed as legal, accounting, or insurance brokerage services. Accordingly, Payne CM **does not** prepare estate planning documents, tax returns, or sell insurance products. To the extent requested by

a client, Payne CM may recommend the services of other professionals for certain non-investment implementation purpose (i.e., attorneys, accountants, insurance agents, etc.). Clients are reminded that they are under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation made by Payne CM or its representatives.

If the client engages any unaffiliated recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. At all times, the engaged licensed professional(s) (i.e., attorney, accountant, insurance agent, etc.), and not Payne CM, shall be responsible for the quality and competency of the services provided.

**Independent Managers.** Payne CM will allocate (and/or recommend that the client allocate) a portion of a client's investment assets among unaffiliated independent investment managers in accordance with the client's designated investment objective(s). In such situations, the Independent Manager(s) shall have day-to-day responsibility for the active discretionary management of the allocated assets. Payne CM shall continue to render investment advisory services to the client relative to the ongoing monitoring and review of account performance, asset allocation and client investment objectives. Factors which Payne CM shall consider in recommending Independent Manager(s) include the client's designated investment objective(s), management style, performance, reputation, financial strength, reporting, pricing, and research. The investment management fees charged by the designated Independent Manager(s) are exclusive of, and in addition to, Payne CM's ongoing investment advisory fee, subject to the terms and conditions of a separate agreement between the client and the Independent Manager(s). Payne CM's advisory fee is set forth in the fee schedule in Item 5 below.

**Non-Discretionary Service Limitations.** Clients that engage Payne CM on a non-discretionary investment advisory basis must be willing to accept that Payne CM cannot affect any account transactions without obtaining prior consent to any such transaction(s) from the client. Therefore, in the event of a market correction during which the client is unavailable, Payne CM will be unable to affect any account transactions (as it would for its discretionary clients) without first obtaining the client's consent.

**Retirement Rollovers – Potential for Conflict of Interest.** A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). If Payne CM recommends that a client roll over their retirement plan assets into an account to be managed by Payne CM, such a recommendation creates a conflict of interest if Payne CM will earn new (or increase its current) compensation as a result of the rollover. If Payne CM provides a recommendation as to whether a client should engage in a rollover or not (whether it is from an employer's plan or an existing IRA), Payne CM is acting as a fiduciary within the meaning of Title I of

the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. No client is under any obligation to roll over retirement plan assets to an account managed by Payne CM, whether it is from an employer's plan or an existing IRA.

**Use of Dimensional Fund Advisors Mutual Funds.** Payne CM will recommend allocating investment assets to mutual funds that are not available directly to the public, such as those issued by Dimensional Fund Advisors ("DFA"), which are generally only available through registered investment advisers. Therefore, upon the termination of Payne CM's services to a client, restrictions regarding transferability and/or additional purchases of, or reallocation among DFA funds will apply.

Payne CM will also recommend that clients or perspective clients allocate investment assets to publicly available mutual funds that the client could obtain without engaging Payne CM as an investment adviser. However, if a client or prospective client decides to allocate investment assets to publicly available mutual funds without engaging Payne CM as an investment advisor, the client or prospective client would not receive the benefit of Payne CM's initial and ongoing investment advisory services.

**Socially Responsible Investing Limitations.** Socially Responsible Investing involves the incorporation of Environmental, Social and Governance ("ESG") considerations into the investment due diligence process. ESG investing incorporates a set of criteria/factors used in evaluating potential investments: Environmental (i.e., considers how a company safeguards the environment); Social (i.e., the manner in which a company manages relationships with its employees, customers, and the communities in which it operates); and Governance (i.e., company management considerations). The number of companies that meet an acceptable ESG mandate can be limited when compared to those that do not and could underperform broad market indices. Investors must accept these limitations, including potential for underperformance. Correspondingly, the number of ESG mutual funds and exchange-traded funds are limited when compared to those that do not maintain such a mandate. As with any type of investment (including any investment and/or investment strategies recommended and/or undertaken by Payne CM), there can be no assurance that investment in ESG securities or funds will be profitable or prove successful. Payne CM does not maintain or advocate an ESG investment strategy but will seek to employ ESG if directed by a client to do so. If implemented, Payne CM shall rely upon the assessments undertaken by the unaffiliated mutual fund, exchange traded fund or separate account portfolio manager to determine that the fund's or portfolio's underlying company securities meet a socially responsible mandate.

**eMoney Advisor Platform.** Payne CM may provide its clients with access to an online platform hosted by "eMoney Advisor" ("eMoney"). The eMoney platform allows a client to view their complete asset allocation, including those assets that Payne CM does not manage (the "Excluded Assets"). Payne CM does not provide investment management, monitoring, or implementation services for the Excluded Assets. Therefore, Payne CM shall not be responsible for the investment performance of the Excluded Assets. Rather, the client and/or their advisor(s) that maintain management authority for the Excluded Assets shall be exclusively responsible for such investment performance, and not Payne CM. The client may choose to

engage Payne CM to manage some or all of the Excluded Assets pursuant to the terms and conditions of an Investment Advisory Agreement between Payne CM and the client.

The eMoney platform also provides access to other types of information and applications including financial planning concepts and functionality, which should not, in any manner whatsoever, be construed as services, advice, or recommendations provided by Payne CM. Finally, Payne CM shall not be held responsible for any adverse results a client may experience if the client engages in financial planning or other functions available on the eMoney platform without Payne CM's assistance or oversight.

**Cash Positions.** Payne CM continues to treat cash as an asset class. As such, unless determined to the contrary by Payne CM, all cash positions (money markets, etc.) shall continue to be included as part of assets under management for purposes of calculating Payne CM's advisory fee. At any specific point in time, depending upon perceived or anticipated market conditions/events (there being **no guarantee** that such anticipated market conditions/events will occur), Payne CM may maintain cash positions for defensive purposes. In addition, while assets are maintained in cash, such amounts could miss market advances. Depending upon current yields, at any point in time, Payne CM's advisory fee could exceed the interest paid by the client's money market fund.

**Cash Sweep Accounts.** Certain account custodians can require that cash proceeds from account transactions or new deposits, be swept to and/or initially maintained in a specific custodian designated sweep account. The yield on the sweep account will generally be lower than those available for other money market accounts. When this occurs, to help mitigate the corresponding yield dispersion Payne CM shall (usually within 30 days thereafter) generally (with exceptions) purchase a higher yielding money market fund (or other type security) available on the custodian's platform, unless Payne CM reasonably anticipates that it will utilize the cash proceeds during the subsequent 30-day period to purchase additional investments for the client's account. Exceptions and/or modifications can and will occur with respect to all or a portion of the cash balances for various reasons, including, but not limited to the amount of dispersion between the sweep account and a money market fund, the size of the cash balance, an indication from the client of an imminent need for such cash, or the client has a demonstrated history of writing checks from the account.

The above does not apply to the cash component maintained within a Payne CM actively managed investment strategy (the cash balances for which shall generally remain in the custodian designated cash sweep account), an indication from the client of a need for access to such cash, assets allocated to an unaffiliated investment manager and cash balances maintained for fee billing purposes.

The client shall remain exclusively responsible for yield dispersion/cash balance decisions and corresponding transactions for cash balances maintained in any Payne CM unmanaged accounts.

**Portfolio Activity.** Payne CM has a fiduciary duty to provide services consistent with the client's best interest. As part of its investment advisory services, Payne CM will review client portfolios on an ongoing basis to determine if any changes are necessary based upon various factors, including, but not limited to,



investment performance, fund manager tenure, style drift, account additions/withdrawals, and/or a change in the client's investment objective. Based upon these factors, there may be extended periods of time when Payne CM determines that changes to a client's portfolio are neither necessary nor prudent. Clients nonetheless remain subject to the fees described in Item 5 below during periods of account inactivity.

**Client Obligations.** In performing its services, Payne CM shall not be required to verify any information received from the client or from the client's other professionals and is expressly authorized to rely thereon. Moreover, each client is advised that it remains their responsibility to promptly notify Payne CM if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating, or revising Payne CM's previous recommendations and/or services.

**Cybersecurity Risk.** The information technology systems and networks that Payne CM and its third-party service providers use to provide services to Payne CM's clients employ various controls, which are designed to prevent cybersecurity incidents stemming from intentional or unintentional actions that could cause significant interruptions in Payne CM's operations and result in the unauthorized acquisition or use of clients' confidential or non-public personal information. Clients and Payne CM are nonetheless subject to the risk of cybersecurity incidents that could ultimately cause them to incur losses, including for example: financial losses, cost and reputational damage to respond to regulatory obligations, other costs associated with corrective measures, and loss from damage or interruption to systems. Although Payne CM has established procedures to reduce the risk of cybersecurity incidents, there is no guarantee that these efforts will always be successful, especially considering that Payne CM does not directly control the cybersecurity measures and policies employed by third-party service providers. Clients could incur similar adverse consequences resulting from cybersecurity incidents that more directly affect issuers of securities in which those clients invest, broker-dealers, qualified custodians, governmental and other regulatory authorities, exchange and other financial market operators, or other financial institutions.

**Disclosure Brochure.** A copy of Payne CM's written Disclosure Brochure and Client Relationship Summary, as set forth on Part 2A of Form ADV and Form CRS respectively, shall be provided to each client or perspective client prior to, or contemporaneously with, the execution of the investment management agreement or financial planning and consulting agreement.

## **Item 5. Fees and Compensation**

### **FINANCIAL PLANNING AND CONSULTING FEES**

Payne CM charges a fixed fee and/or hourly fee to provide its standalone financial planning and consulting services. These fees are negotiable, but generally range from \$500 to \$5,000 on a fixed fee basis and/or \$75 to \$250 on an hourly basis. These fees are largely determined by the level and scope of the services and the financial professional engaged to render them. If the client engages Payne CM for additional investment advisory services, Payne CM may offset all or a portion of its fees for those services based upon the amount paid for the financial planning and/or consulting services.

Prior to engaging Payne CM to provide financial planning and/or consulting services, the client is required to enter into a written agreement with Payne CM setting forth the terms and conditions of the engagement. Generally, Payne CM requires one-half of the financial planning or consulting fee (estimated hourly or fixed) payable upon entering the written agreement. The balance is generally due upon delivery of the financial plan or completion of the agreed upon services.

### **INVESTMENT MANAGEMENT FEES**

Payne CM provides investment management services for an annual fee based upon a percentage of assets under management. The annual fee varies between 40 and 100 basis points (i.e., 0.40% to 1.00%) of the assets being managed by Payne CM.

Fees shall vary depending upon various objective and subjective factors, including but not limited to the representative assigned to the account, the amount of assets to be invested, the complexity of the engagement, the anticipated number of meetings and servicing needs, related accounts, future earning capacity, anticipated future additional assets, and negotiations with the client. As a result, similar clients could pay different fees, which will correspondingly impact a client's net account performance. Moreover, the services to be provided by Payne CM to any particular client could be available from other advisers at lower fees. All clients and prospective clients should be guided accordingly.

The annual fee is prorated and charged quarterly, in advance, based upon the value of the assets on the last day of the previous quarter, including any accrued interest. Payne CM's annual fee is exclusive of, and in addition to those fees charged by Financial Institutions discussed in the next section. Payne CM does not receive any portion of these commissions, fees, and costs.

Assets invested in shares of money market funds, mutual funds, exchange trade funds, or other investment companies will be included in calculating the value of the assets for purposes of computing the investment management fee, and the same assets will also be subject to the internal expenses of those funds paid to their own investment managers, which are fully disclosed in each fund's prospectus.

Payne CM, in its sole discretion, may negotiate to charge a lesser management fee based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, *pro bono* activities, etc.).

**Fees Charged by Financial Institutions.** As further discussed in response to Item 12 (below), Payne CM generally recommends that clients utilize the brokerage and clearing services of Fidelity Clearing and Custody Solutions ("*Fidelity*"). Payne CM may only implement its investment management recommendations after the client has arranged for and furnished Payne CM with all information and authorization regarding accounts with appropriate financial institutions. Financial institutions include, but are not limited to, *Fidelity*, any other broker-dealer recommended by Payne CM, broker-dealer directed by the client, trust companies, banks etc. (collectively referred to herein as the "*Financial Institutions*").

Clients may incur certain charges imposed by the *Financial Institutions* and other third parties such as custodial fees, charges imposed directly by a mutual fund or ETF in the account, which are disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Additionally, Broker-dealers such as *Fidelity* charge brokerage commissions, transaction, and/or other type fees for effecting certain types of securities transactions. The types of securities for which transaction fees, commissions, and/or other type fees (as well as the amount of those fees) shall differ depending upon the broker-dealer/custodian. While certain custodians, including *Fidelity*, generally (with the potential exception for large orders) do not currently charge fees on individual equity transactions (including ETFs), others do. There can be no assurance that *Fidelity* will not change their transaction fee pricing in the future.

*Fidelity* may also assess fees to clients who elect to receive trade confirmations and account statements by regular mail rather than electronically.

**Fee Debit.** Payne CM's *Agreement* and the separate agreement with any *Financial Institutions* may authorize Payne CM or *Independent Managers* to debit the client's account for the amount of Payne CM's fee and to directly remit that management fee to Payne CM or the *Independent Managers*. Any *Financial Institutions* recommended by Payne CM which may debit a client's account directly have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to Payne CM. Alternatively, clients may elect to have Payne CM send an invoice for payment.

**Fees for Management During Partial Quarters of Service.** For the initial period of investment management services, the fees are calculated on a *pro rata* basis.

The *Agreement* between Payne CM and the client will continue in effect until terminated by either party pursuant to the terms of the *Agreement*. Payne CM's fees are prorated through the date of termination and any remaining balance is charged or refunded to the client, as appropriate.

Clients may make additions to and withdrawals from their account at any time, subject to Payne CM's right to terminate an account. Additions may be in cash or securities provided that Payne CM reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account. Clients may withdraw account assets on notice to Payne CM, subject to the usual and customary securities settlement procedures. However, Payne CM designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. Payne CM may consult with its clients about the options and ramifications of transferring securities. However, clients are advised that when transferred securities are liquidated, they are subject to transaction fees, fees assessed at the mutual fund level (i.e., contingent deferred sales charge) and/or tax ramifications.

## Item 6. Performance-Based Fees and Side-by-Side Management

Payne CM does not provide any services for performance-based fees. Performance-based fees are those based on a share of capital gains on or capital appreciation of the assets of a client.

## Item 7. Types of Clients

Payne CM provides its services to individuals, pension and profit sharing plans, trusts, estates, corporations, business entities and charitable organizations.

**Minimums Imposed By Independent Managers.** Payne CM does not impose a minimum portfolio size or minimum annual fee. However, certain *Independent Managers* utilized by Payne CM to manage client assets may impose more restrictive account requirements and/or implement billing practices that differ from those of Payne CM. In such instances, Payne CM may alter its corresponding account requirements and/or billing practices to accommodate those of the *Independent Managers*.

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

Payne CM employs a range of analytical methodologies which can generally be described as derivatives of Modern Portfolio Theory ("MPT").

MPT is a mathematical based investment discipline that seeks to quantify expected portfolio returns in relation to corresponding portfolio risk. The basic premise of MPT is that the risk of a particular holding is to be assessed by comparing its price variations against those of the market portfolio. However, MPT disregards certain investment considerations and is based on a series of assumptions that may not necessarily reflect actual market conditions. As such, the factors for which MPT does not account (e.g., tax implications, regulatory constraints and brokerage costs) may negate the upside or add to the actual risk of a particular allocation. Nonetheless, Payne CM's investment process is structured in such a way to integrate those assumptions and real-life considerations for which MPT analytics do not account.

Payne CM's investment strategies are customized to account for its clients' individual circumstances and facilities. Payne CM strives to establish and maintain highly personalized relationships with each of its clients in an effort to keep apprised of any personal or financial changes and ensure that its recommended allocations remain consistent with their investment objectives.

**Investment Risk.** Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by Payne CM) will be profitable or equal any specific performance level(s).

Investors generally face the following types of investment risks:

- Interest-rate Risk: Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- Market Risk: The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk may be caused by external factors independent of the fund's specific investments as well as due to the fund's specific investments. Additionally, each security's price will fluctuate based on market movement and emotion, which may, or may not be due to the security's operations or changes in its true value. For example, political, economic and social conditions may trigger market events which are temporarily negative, or temporarily positive.
- Inflation Risk: When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- Reinvestment Risk: This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e., interest rate). This primarily relates to fixed income securities.
- Liquidity Risk: Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- Financial Risk: Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

#### Mutual Funds and Exchange Traded Funds (ETFs)

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed-based ETFs and more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 50,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

### Options

Options allow investors to buy or sell a security at a contracted “strike” price (not necessarily the current market price) at or within a specific period of time. Clients may pay or collect a premium for buying or selling an option. Investors transact in options to either hedge (limit) losses in an attempt to reduce risk or to speculate on the performance of the underlying securities. Options transactions contain a number of inherent risks, including the partial or total loss of principal in the event that the value of the underlying security or index does not increase/decrease to the level of the respective strike price. Holders of options contracts are also subject to default by the option writer which may be unwilling or unable to perform its contractual obligations.

Covered Call Writing. Covered call writing is the sale of in-, at-, or out-of- the money call option against a long security position held in a client portfolio. This type of transaction is used to generate income. It also serves to create downside protection in the event the security position declines in value. Income is received from the proceeds of the option sale. Such income may be reduced to the extent it is necessary to buy back the option position prior to its expiration. This strategy may involve a degree of trading velocity, transaction costs and significant losses if the underlying security has volatile price movement. Covered call strategies are generally suited for companies with a consistent record of paying dividends.

Margin / Securities Based Loans. Upon client request, Payne CM may recommend that a client establish a margin account / apply for a securities based loan with the client’s broker-dealer/custodian or their affiliated banks (each, a “Margin Lender”) to collateralize investment assets to access cash flow. For example, clients may seek to borrow money on margin to pay bills or other expenses such as financing the purchase, construction, or maintenance of a real estate project. Unlike a traditional real estate-backed loan, a margin loan has the potential benefit of enabling borrowers to access to funds in a shorter period of time, providing greater repayment flexibility, and may also result in the borrower receiving certain tax benefits. Clients interested in learning more about the potential tax benefits of borrowing money on margin should consult with an accountant or tax advisor.

The terms and conditions of each margin loan are contained in a separate agreement between the client and the Margin Lender selected by the client, which terms and conditions may vary from client to client. Borrowing funds on margin is not suitable for all clients and is subject to certain risks, including but not

limited to: increased market risk, increased risk of loss, especially in the event of a significant downturn; liquidity risk; the potential obligation to post collateral or repay the margin loan if the Margin Lender determines that the value of collateralized securities is no longer sufficient to support the value of the margin loan; the risk that the Margin Lender may liquidate the client's securities to satisfy its demand for additional collateral or repayment / the risk that the Margin Lender may terminate the margin loan at any time. Before agreeing to participate in a margin program, clients should carefully review the applicable margin agreement and all risk disclosures provided by the Margin Lender including the initial margin and maintenance requirements for the specific program in which the client enrolls, and the procedures for issuing "margin calls" and liquidating securities and other assets in the client's accounts.

If a client determines to use margin to purchase assets that Payne CM will manage, Payne CM would include the entire market value of the margined assets when computing its advisory fee, which would present a conflict of interest to the extent it increases Payne CM's advisory fee. Another conflict of interest would arise if Payne CM recommends the use of margin, and also has an economic disincentive to recommend that the client terminate the use of margin to preserve asset-based fees on the collateralized assets.

#### Use of Independent Managers

Payne CM may recommend the use of *Independent Managers* for certain clients. Payne CM will continue to do ongoing due diligence of such managers, but such recommendations rely, to a great extent, on the *Independent Managers* ability to successfully implement their investment strategy. In addition, Payne CM does not have the ability to supervise the *Independent Managers* on a day-to-day basis other than as previously described in response to Item 4, above.

#### Management Through Similarly Managed Accounts

For certain clients, Payne CM may manage portfolios by allocating portfolio assets among various mutual funds, exchange traded funds, individual securities, individual bonds and options on a discretionary basis using one or more of its proprietary investment strategies (collectively referred to as "*investment strategy*"). In so doing, Payne CM buys, sells, exchanges and/or transfers shares of mutual funds and securities based upon the *investment strategy*.

Payne CM's management using the *investment strategy* complies with the requirements of Rule 3a-4 of the Investment Company Act of 1940, as amended. Rule 3a-4 provides similarly managed accounts, such as the *investment strategy*, with a safe harbor from the definition of an investment company.

Securities in the *investment strategy* are usually exchanged and/or transferred without regard to a client's individual tax ramifications. Certain investment opportunities that become available to Payne CM's clients may be limited. As further discussed in response to Item 12 (below), Payne CM allocates investment opportunities among its clients on a fair and equitable basis.

## Item 9. Disciplinary Information

Payne CM is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management. Payne CM does not have any required disclosures to this Item.

## Item 10. Other Financial Industry Activities and Affiliations

Payne CM is required to disclose any relationship or arrangement that is material to its advisory business or to its clients with certain related persons. Payne CM does not have any relationship or arrangement to disclose.

## Item 11. Code of Ethics

Payne CM and persons associated with Payne CM ("Associated Persons") are permitted to buy or sell securities that it also recommends to clients consistent with the Firm's policies and procedures.

Payne CM has adopted a code of ethics that sets forth the standards of conduct expected of its associated persons and requires compliance with applicable securities laws ("*Code of Ethics*"). Payne CM's *Code of Ethics* contains written policies reasonably designed to prevent the unlawful use of material non-public information by the Firm or any of its associated persons. The *Code of Ethics* also requires that certain of Payne CM's personnel ( "*Access Persons*") report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings.

When the Firm is engaging in or considering a transaction in any security on behalf of a client, no *Access Person* may effect for themselves or for their immediate family (i.e., spouse, minor children, and adults living in the same household as the *Access Person*) a transaction in that security unless:

- the transaction has been completed;
- the transaction for the *Access Person* is completed as part of a batch trade (as defined below in Item 12) with clients; or
- a decision has been made not to engage in the transaction for the client.

These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

This *Code of Ethics* has been established recognizing that some securities trade in sufficiently broad markets to permit transactions by *Access Persons* to be completed without any appreciable impact on the markets of such securities. Therefore, under certain limited circumstances, exceptions may be made to the policies stated above.



Clients and prospective clients may contact Payne CM to request a copy of its *Code of Ethics*.

## Item 12. Brokerage Practices

As discussed above, in Item 5, Payne CM generally recommends that clients utilize the brokerage and clearing services of *Fidelity*.

Factors which Payne CM considers in recommending *Fidelity* or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. *Fidelity* may enable the Firm to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by *Fidelity* may be higher or lower than those charged by other Financial Institutions.

The commissions paid by Payne CM's clients to *Fidelity* comply with the Firm's duty to seek "best execution." Clients may pay commissions that are higher than another qualified Financial Institution might charge to effect the same transaction where Payne CM determines that the commissions are reasonable. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a Financial Institution's services, including among others, the value of research provided, execution capability, commission rates and responsiveness. Payne CM seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

Consistent with seeking best execution, brokerage transactions may be directed to certain broker/dealers in return for investment research products and/or services which assist Payne CM in its investment decision-making process. Such research generally will be used to service all of the Firm's clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because Payne CM does not have to produce or pay for the products or services.

Payne CM periodically and systematically reviews its policies and procedures regarding its recommendation of Financial Institutions in light of its duty to seek best execution.

**Research and Additional Benefits.** Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, Payne CM receives from *Fidelity* (or another broker-dealer/custodian, investment platform and/or mutual fund sponsor) without cost (and/or at a discount) support services and/or products, certain of which assist Payne CM to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by Payne CM may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support,

computer hardware and/or software and/or other products used by Payne CM in furtherance of its investment advisory business operations.

As indicated above, certain of the support services and/or products received may assist Payne CM in managing and administering client accounts. Others do not directly provide such assistance, but rather assist Payne CM to manage and further develop its business enterprise.

There is no corresponding commitment made by Payne CM to *Fidelity* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

Payne CM's Chief Compliance Officer, Ryan Payne, is available to address any questions that a client or prospective client has regarding the above arrangement and any corresponding conflict of interest such arrangement may create.

**Brokerage for Client Referrals.** Payne CM does not receive referrals from broker-dealers.

**Directed Brokerage.** The client may direct Payne CM in writing to use a particular *Financial Institution* to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that *Financial Institution* and Payne CM will not be able to seek better execution services or prices from other *Financial Institutions* or be able to “batch” client transactions for execution through other *Financial Institutions* with orders for other accounts managed by Payne CM (as described above). As a result, the client may pay higher commissions or other transaction costs, greater spreads or may receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, Payne CM may decline a client’s request to direct brokerage if, in Payne CM’s sole discretion, such directed brokerage arrangements would result in additional operational difficulties. Higher transaction costs adversely impact account performance. Transactions for directed accounts will generally be executed following the execution of portfolio transactions for non-directed accounts.

**Trade Aggregation.** Transactions for each client generally will be effected independently, unless Payne CM decides to purchase or sell the same securities for several clients at approximately the same time. Payne CM may (but is not obligated to) combine or “batch” such orders to seek best execution, to negotiate more favorable commission rates or to allocate equitably among the Firm’s clients differences in prices and commissions or other transaction costs that might not have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among Payne CM’s clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that the Firm determines to aggregate client orders for the purchase or sale of securities, including securities in which Payne CM’s Supervised Persons may invest, the Firm generally does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. Payne CM does not receive any additional

compensation or remuneration as a result of the aggregation.

In the event that Payne CM determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a de minimis allocation in one or more accounts, the Firm may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

## **Item 13. Review of Accounts**

### **Account Reviews**

For those clients to whom Payne CM provides investment management services, Payne CM monitors those portfolios as part of an ongoing process while regular account reviews are conducted at a minimum of twice a year. Such reviews are conducted by the Principal of Payne CM, Ryan M. Payne or the designated wealth advisor. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with Payne CM and to keep Payne CM informed of any changes thereto. Payne CM contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives. For those clients to whom Payne CM provides financial planning and/or consulting services, reviews are conducted on an "as needed" basis, upon request from the client.

### **Account Statements and General Reports**

Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for the client accounts. Those clients to whom Payne CM provides investment management services also receive a report from Payne CM that may include such relevant account and/or market-related information such as an inventory of account holdings and account performance from time to time. Clients should compare the account statements they receive from their custodian with those they receive from Payne CM.

### **Financial Planning and Consulting Reports**

Those clients to whom Payne CM provides financial planning and/or consulting services will receive reports from Payne CM summarizing its analysis and conclusions as requested by the client or otherwise agreed to in writing by Payne CM.

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

### **Economic Benefit**

Payne CM is required to disclose any relationship or arrangement where it receives an economic benefit from a third party (non-client) for providing advisory services. Payne CM receives economic benefits from non-clients for providing advice or other advisory services to clients. This type of relationship poses a conflict of interest and any such relationship is disclosed in response to Item 12, above.

### **Client Referrals**

In addition, Payne CM is required to disclose any direct or indirect compensation that it provides for client referrals. In the event a client is introduced to Payne CM by either an unaffiliated or an affiliated promoter, Payne CM may pay that promoter a referral fee in accordance with the requirements of Rule 206(4)-1 of the Advisers Act and any corresponding state securities law requirements. If the client is introduced to Payne CM by an unaffiliated promoter, the promoter will provide the client with a copy of Payne CM's written disclosure brochure which meets the requirements of Rule 204-1 of the Advisers Act and a disclosure containing the terms and conditions of the arrangement including the promoter's compensation. Any affiliated promoter of Payne CM discloses the nature of their relationship to prospective clients at the time of the referral and will provide all prospective clients with a copy of Payne CM's written disclosure brochure at the time of the referral.

## **Item 15. Custody**

Payne CM's *Agreement* and/or the separate agreement with any *Financial Institution* may authorize Payne CM through such *Financial Institution* to debit the client's account for the amount of Payne CM's fee and to directly remit that management fee to Payne CM in accordance with applicable custody rules.

The *Financial Institutions* recommended by Payne CM have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to Payne CM. In addition, as discussed in Item 13, Payne CM also sends periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the *Financial Institutions* and compare them to those received from Payne CM.

**Custody Situations:** Payne CM engages in other practices and/or services on behalf of its clients that require disclosure at ADV Part 1, Item 9, but which practices and/or services are not subject to an annual surprise CPA examination in accordance with the guidance provided in the SEC's February 21, 2017

Investment Adviser Association No-Action Letter.

## **Item 16. Investment Discretion**

Payne CM may be given the authority to exercise discretion on behalf of clients. Payne CM is considered to exercise investment discretion over a client's account if it can affect transactions for the client without first having to seek the client's consent. Payne CM is given this authority through a power-of-attorney included in the agreement between Payne CM and the client. Clients may request a limitation on this authority (such as requesting that certain securities not to be bought or sold).

Clients who engage Payne CM on a discretionary basis may, at any time, impose restrictions, in writing, on Payne CM's discretionary authority (i.e., limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe Payne CM's use of margin, etc.).

## **Item 17. Voting Client Securities**

Payne CM is required to disclose if it accepts authority to vote client securities. Payne CM does not vote client securities on behalf of its clients. Clients receive proxies directly from the *Financial Institutions*.

Clients may contact Payne CM to discuss any questions they may have with a particular solicitation.

## **Item 18. Financial Information**

Payne CM does not have any disclosures pursuant to this Item for the following reasons:

- The firm does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance,
- The firm is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts; and
- The firm has not been subject of a bankruptcy petition at any time during the past ten years.

Payne CM's Chief Compliance Officer, Ryan Payne, is available to address any questions that a client or prospective client has regarding the above disclosures and arrangement.