



## PART 2A OF FORM ADV: FIRM BROCHURE



CERTIFIED ADVISORY CORP  
MARCH 3, 2017

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This brochure provides information about the qualifications and business practices of Certified Advisory Corp. If you have any questions about the contents of this brochure, please contact us at 407. 869.9800. 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 Certified Advisory Corp is also available on the SEC's website at [www.AdviserInfo.sec.gov](http://www.AdviserInfo.sec.gov). The searchable IARD/CRD number for Certified Advisory Corp is 120990. Certified Advisory Corp is a registered investment adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

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## 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.

We have outlined below the changes made since our last annual updating amendment dated March 9, 2016. The underlined words or phrases represent additions to the text.

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Fees may or may not be charged ~~on partnerships, REITs and/or private placements~~ or may be reduced on certain investments depending on whether any affiliated entity or representative of our firm has received any compensation relative to such ~~on partnerships, REITs and/or private placements~~ investments. CAC may reimburse clients for commissions paid to affiliated entities on assets transferred to CAC. Generally, the commissions paid to the affiliated entity in the five years prior to the transfer will be reimbursed on a prorated basis.

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If you authorize the qualified third-party custodian to debit our fees from your account(s), they will pay us directly. If you elect direct billing, invoices are payable upon receipt and can be paid by check or credit card. By signing the Investment Advisory and Management Agreement, you acknowledge that if invoices are not paid within 30 days, the fee may be deducted from your account(s) by the qualified third-party custodian. If the fees remain unpaid at the beginning of the subsequent quarter, we may terminate our Agreement with you.

~~Typically, we will deduct our fee directly from your account through the qualified custodian holding your funds and securities. We will deduct our advisory fee only when you have given our firm written authorization permitting the fees to be paid directly from your account.~~

The qualified custodian will deliver an account statement to you at least quarterly. Additionally, we have will receive or have electronic access to duplicate copies of your account statements. These account statements will show all disbursements from your account. You should review all statements for accuracy and we encourage you to reconcile these statements with our invoices. If you find any inconsistent information between our invoice and the statements you receive from the qualified custodian, please ~~call our main office number located on the cover page of this brochure~~ contact our Chief Compliance Officer at 407.869.9800.

Either you or we can terminate the Investment Advisory and Management Agreement upon

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physical receipt of written termination notice, or an email deemed received by return notice of receipt.

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This section is all new text:

### ***IRA Rollover Services***

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

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

An employee will typically have four options:

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

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

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

- Determine whether the investment options in your employer's retirement plan address your needs or whether you might want to consider other types of investments.
  - Employer retirement plans generally have a more limited investment menu than IRAs.
  - Employer retirement plans may have unique investment options not available to the public such as employer securities, or previously closed funds.
- Your current plan may have lower fees than our fees.
  - If you are interested in investing only in mutual funds, you should understand the cost structure of the share classes available in your employer's retirement plan and how the costs of those share classes compare with those available in an IRA.

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- You should understand the various products and services you might take advantage of at an IRA provider and the potential costs of those products and services.
  - Our strategy may have higher risk than the option(s) provided to you in your plan.
  - Your current plan may also offer financial advice.
  - If you keep your assets titled in a 401k or retirement account, you could potentially delay your required minimum distribution beyond age 70.5.
  - Your 401k may offer more liability protection than a rollover IRA; each state may vary.
    - Generally, federal law protects assets in qualified plans from creditors. Since 2005, IRA assets have been generally protected from creditors in bankruptcies. However, there can be some exceptions to the general rules so you should consult with an attorney if you are concerned about protecting your retirement plan assets from creditors.
  - You may be able to take out a loan on your 401k, but not from an IRA.
  - IRA assets can be accessed any time; however, distributions are subject to ordinary income tax and may also be subject to a 10% early distribution penalty unless they qualify for an exception such as disability, higher education expenses or the purchase of a home.
  - If you own company stock in your plan, you may be able to liquidate those shares at a lower capital gains tax rate.
  - Your plan may allow you to hire us as the manager and keep the assets titled in the plan name.

It is important that you understand the differences between these types of accounts and to decide whether a rollover is best for you. Prior to proceeding, if you have questions contact your IAR, or contact our Chief Compliance Officer at 407.869.9800.

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~~Generally, we exclude any asset for which an Associated Person of our firm has earned a commission from the calculation of your advisory fee. On rare occasions, the asset could be included in the calculation of the advisory fee. However,~~ You are under no obligation, contractually or otherwise, to purchase securities products through any person affiliated with our firm.

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If a trade error results in a profit, the error will be corrected in the trade error account of the executing broker/dealer or account custodian. ~~and will remain in that account.~~ If there is a credit balance in the error account at the end of a quarter, it will be forwarded to a qualified charity. There may be a minimum, such as \$100 or greater, in order for the credit balance to be transferred to the qualified charity.

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Clients and prospective clients may obtain a copy of our Code of Ethics by contacting ~~us at the telephone number on the cover page of this brochure.~~ our Chief Compliance Officer at 407.869.9800.

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We may enter into arrangements with individuals or entities (the "Solicitor") under which the Solicitor will refer potential clients to us for investment advisory services. In turn, we will agree to pay a referral fee to the Solicitor. The fee may be a fixed amount or a percentage of the advisory fee collected. Referral fees paid to Solicitor is contingent upon the client entering into an advisory agreement with us. ~~The client does not pay higher fees due to these arrangements.~~ The client will not pay a fee higher than the published fee schedule as shown on Page 9.

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## ITEM 4 - ADVISORY BUSINESS

### DESCRIPTION OF SERVICES AND FEES

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Certified Advisory Corp ("CAC") is a "fee only" registered investment advisor based in Altamonte Springs, Florida. We are organized as an S corporation under the laws of the State of Florida. We have been providing investment advisory services since 1991. Joseph F. Bert is our principal owner.

While we are a "fee only" firm (in that the only compensation the firm receives is in the form of advisory fees payable by our clients), our Investment Advisor Representatives ("IARs") may or may not be characterized as "fee only" as many of them are also registered representatives of our affiliated broker/dealer(s) and may receive transaction based compensation through that broker/dealer(s). Our IARs may also receive compensation from other sources including insurance commissions from our affiliated insurance brokerage.

The following paragraphs describe our services and fees. Please refer to the description of each investment advisory service listed below for information on how we tailor our advisory services to your individual needs. As used in this brochure, the words "we," "our," and "us" refer to CAC and the words "you," "your," and "client" refer to you as either a client or prospective client of our firm. In addition, you may see the term Associated Person throughout this brochure. As used in this brochure, our Associated Persons are our firm's officers, employees, and all individuals providing investment advice on behalf of our firm.

#### *Financial Planning Services*

We offer a variety of financial planning services, which include:

1. Comprehensive Financial Plans
2. Specific Financial Analysis including:
  - 5-year Income Tax, Cash Flow & Investment Plan
  - Financial Independence Cash Flow Plan
  - Education Funding Plan
  - Retirement Distribution Analysis
  - Pension Maximization Analysis
  - Estate Analysis
  - Business Analysis
  - Risk Management Plan
  - Capital Needs Analysis
  - Asset Allocation Plan
3. Hourly Consultations

Financial planning services will typically be in written form with the exception of hourly consultations. If you retain our firm for financial planning services, we will meet with you to gather information about your financial circumstances and objectives. Our goal is to

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assist you in determining whether your long-term and short-term objectives, both financial and non-financial, are feasible. We will provide you with a proposal of the services to be performed and an estimate of the total charges.

Financial plans are based on your financial situation at the time we present the plan to you, and on the financial information you provide to our firm. You must promptly notify our firm if your financial situation, goals, objectives, or needs change.

You are under no obligation to act on our financial planning recommendations. Should you choose to act on any of our recommendations, you are not obligated to implement the financial plan through any of our other investment advisory services. Moreover, you may act on our recommendations by placing securities transactions with any brokerage firm.

We charge an hourly fee of \$150 for financial planning services. An estimate of the total time/cost will be determined at the start of the advisory relationship. In limited circumstances, the cost/time could potentially exceed the initial estimate. In such cases, we will notify you and request that you approve the additional fee.

The fee for any Specific Financial Analysis may vary for various options depending on individual situations and complexity of the financial plan.

We require that you pay 50% of the fee in advance and the remaining portion upon the completion of the services rendered. We will not require prepayment of a fee more than six months in advance and in excess of \$1,200.

All consulting work not completed within ninety (90) days will entitle the client to have a refund with regard to that specific consulting work, upon written request, only if the delay is our responsibility.

You may terminate the financial planning agreement by providing written notice to our firm. You will incur a pro rata charge for services rendered prior to the termination of the agreement. If you have pre-paid advisory fees that we have not yet earned, you will receive a prorated refund of those fees.

### ***Investment Advisory and Management Services***

We offer discretionary and non-discretionary investment advisory and management services to individual portfolios including IRA's, SEP IRA's, and SIMPLE Plans and qualified plan portfolios such as 401(k)s, profit sharing plans, and pension plans. Our investment advice is tailored to meet our clients' needs and investment objectives. If you retain our firm for advisory and management services, we will meet with you to determine your investment objectives, risk tolerance, and other relevant information at the beginning of our advisory relationship. We will use the information we gather to develop a strategy that enables our firm to give you continuous and focused investment advice and/or to make investments on your behalf. As part of our advisory and management services, we may customize an investment portfolio for you in accordance with your risk tolerance and investing objectives. Once we construct an investment portfolio for you, or select a model portfolio, we will monitor your portfolio's performance on an ongoing basis, and will



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rebalance the portfolio as required by changes in market conditions and changes in your financial circumstances.

If you participate in our discretionary management services, we require you to authorize our firm to manage your account on a discretionary basis. Discretionary authorization will allow our firm to determine the specific securities, and the amount of securities, to be purchased or sold for your account without your approval prior to each transaction. Discretionary authority is typically granted by the Investment Advisory and Management Agreement you sign with our firm, a limited power of attorney, or trading authorization forms. You may limit our discretionary authority (for example, limiting the types of securities that can be purchased for your account) by providing our firm with your restrictions and guidelines in writing. Additionally, you may require us to discuss recommendations of certain types of trades or investments in certain securities prior to execution.

If you enter into non-discretionary arrangements with our firm, we must obtain your approval prior to executing any transactions on behalf of your account. You have an unrestricted right to decline to implement any advice provided by our firm on a non-discretionary basis.

We may make differing recommendations with respect to the same securities or insurance products to different advisory clients. All recommendations made are specific to your individualized needs and current financial situation.

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

**Assets Under Management**

<u>(Individual Portfolios)</u>	<u>Maximum Annual Fee</u>	<u>Maximum Quarterly Fee</u>
First \$200,000 invoiced at	1.50%	.375%
Next \$300,000 (up to and including \$500,000) invoiced at	1.20%	.300%
Next \$500,000 (up to and including \$1,000,000) invoiced at	1.00%	.250%
Next \$1,000,000 (up to and including \$2,000,000) invoiced at	0.80%	.200%
Over \$2,000,000	Negotiable	Negotiable

Our annual advisory and management fee is billed and payable quarterly in advance based

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on the average daily balance of the Account(s) during the previous calendar quarter.

All fees are negotiable and subject to review and modification. Factors which may affect fees include, but are not limited to, the type of analysis, the amount of and/or type of assets (i.e., bonds, certificates of deposit, money market funds, mutual funds, partnerships, REITs, private placements, stocks, exchange traded funds, etc.), or income involved, simultaneous preparation of related analysis for the same clients, and common elements present in more than one plan, (i.e., the preparation of multiple analyses for clients with the same employer or occupation). Fees may or may not be charged or may be reduced on certain investments depending on whether any affiliated entity or representative of our firm has received any compensation relative to such investments. CAC may reimburse clients for commissions paid to affiliated entities on assets transferred to CAC. Generally, the commissions paid to the affiliated entity in the five years prior to the transfer will be reimbursed on a prorated basis.

Assets invested in mutual funds are paying two advisory fees, an investment advisory fee paid to us on the mutual funds managed and the additional customary advisory fee paid to the mutual fund managers. A description of the fund's expenses is available in each fund's prospectus.

The firm may combine transactions for multiple client accounts. Generally, some clients will receive different prices for the same securities, and/or may be charged higher commissions, and/or different quantities of the same securities may be purchased or sold for different client accounts.

We will not receive any portion of securities commissions or transaction fees, which may be charged by your account custodian.

A minimum fee of \$250/quarter may be charged on the amount of assets under management. In the event the combined total of all accounts under management covered by the Investment Advisory and Management Agreement and all related documents falls below \$66,000, the accounts may be converted to non-managed account status, wherein we will no longer actively manage the accounts or charge advisory fees.

In general, we require a minimum of \$100,000 to open and maintain an advisory and management account. At our discretion, we may waive this minimum account size. For example, we may waive the minimum if you appear to have significant potential for increasing your assets under our management. At our discretion, we may combine the account values of family members living in the same household to determine the applicable fee. For example, we may combine account values for you and your minor children, joint accounts with your spouse, and other types of related accounts. Combining account values may increase the asset total, which may result in your paying a reduced fee based on the available breakpoints in our fee schedule stated above. If the family account(s) total less than \$100,000, management approval will be required.

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The "inception date" is the date when the initial asset(s) arrive(s) in the account(s) at the qualified third-party custodian with whom your account will be held. The initial billing period will begin at the end of the calendar quarter (March 31, June 30, September 30, or December 31) when the Agreement is signed by you and accepted by us (the "opening date"). The quarterly fees will be charged in advance on the last day of the quarter and will be based on the average daily balance of the account(s) during the previous calendar quarter. The fee will become due the following business day and deducted from the account before the close of the new quarter. The fees charged are calculated as described above and are not charged based on a share of capital gains upon or capital appreciation of the funds or any portion of the funds in your account.

If you authorize the qualified third-party custodian to debit our fees from your account(s), they will pay us directly. If you elect direct billing, invoices are payable upon receipt and can be paid by check or credit card. By signing the Investment Advisory and Management Agreement, you acknowledge that if invoices are not paid within 30 days, the fee may be deducted from your account(s) by the qualified third-party custodian. If the fees remain unpaid at the beginning of the subsequent quarter, we may terminate our Agreement with you.

The qualified custodian will deliver an account statement to you at least quarterly. Additionally, we have access to duplicate copies of your account statements. These account statements will show all disbursements from your account. You should review all statements for accuracy and we encourage you to reconcile these statements with our invoices. If you find any inconsistent information between our invoice and the statements you receive from the qualified custodian, please contact our Chief Compliance Officer at 407.869.9800.

Either you or we can terminate the Investment Advisory and Management Agreement upon physical receipt of written termination notice, or an email deemed received by return notice of receipt. Upon receipt of the termination notice, fees will be calculated from the date of termination through the end of the current billing period. We will promptly refund the portion of unearned fees. However, termination will not affect the liabilities or obligations of the parties under the Investment Advisory and Management Agreement arising from transactions initiated prior to such termination. Upon the termination of the Investment Advisory and Management Agreement, we shall be under no obligation whatsoever to recommend any action with regard to, or to liquidate, the securities or other investments in the account(s). We will be responsible only for trades in progress at the time of receipt of the termination notice. Should you request services beyond termination for transfers, accounts history, etc., you will agree in advance to pay our then current hourly rate for such administrative services.

Asset management fees for qualified plans (as defined above) are determined on a case-by-case basis and are fully disclosed under a separate agreement. These fees will not exceed those stated above for individual account(s). Our annual advisory and management

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fee is billed and payable quarterly in arrears on the average daily balance of the account(s) during the previous calendar quarter. Qualified plans are subject to a minimum fee of \$625 per quarter. All fees are negotiable.

Under certain circumstances, plans serviced by Certified Benefits Corp, an affiliated Third Party Administrator/Record Keeper, may receive mutual fund reimbursements. These reimbursements may be used to reduce plan costs per the executed Investment Advisory Agreement with the plan sponsor. The total reimbursement received by Certified Benefits Corp on behalf of the plan is reported to the plan sponsor on a quarterly basis.

### ***Pension Consulting Services***

Pension consulting services to employee benefit plans and their fiduciaries are based upon the needs of the plan and the services requested by the plan sponsor or named fiduciary. Services may include an existing plan review and analysis, plan-level advice regarding fund selection and investment options, education services to plan participants, investment performance monitoring, and/or ongoing consulting. We may also assist with participant enrollment meetings and provide investment-related educational seminars to plan participants on such topics as diversification, asset allocation, risk tolerance, time horizon, and other items specific to the particular plan. We may also provide additional types of pension consulting services to plans on an individually negotiated basis. All services, whether discussed above or customized for the plan based upon requirements from the plan fiduciaries, which may include additional plan-level or participant-level services, shall be detailed in a written agreement and be consistent with the parameters set forth in the plan documents. The fees charged for these customized services shall be negotiated with the plan sponsor or named fiduciary on a case-by-case basis.

### ***Tax Preparation and Consulting Services***

CAC offers income tax preparation and consulting services. Individuals providing these services on behalf of CAC are not licensed Certified Public Accountants or Enrolled Agents.

### ***Selection of Other Advisers***

As part of our investment advisory services, we may recommend that you use the services of a third party money manager (TPMM) to manage your entire, or a portion of, your investment portfolio. After gathering information about your financial situation and objectives, we may recommend that you engage a specific TPMM or investment program. Factors that we take into consideration when making our recommendation(s) include, but are not limited to, the TPMM's performance, methods of analysis, fees, your financial needs, investment goals, risk tolerance, and investment objectives. We will periodically monitor the TPMM(s)' performance to ensure its management and investment style remains aligned with your investment goals and objectives.

We will charge you a fee for the selection of other advisers, or we will share in the advisory fee you pay directly to the TPMM. The advisory fee you pay to the TPMM is established and payable in accordance with the brochure provided by each TPMM to whom you are referred. These fees may or may not be negotiable. Our compensation may differ depending

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upon the individual agreement we have with each TPMM. A conflict of interest may arise where our firm or our Associated Persons may have an incentive to recommend one TPMM over another TPMM with whom we have more favorable compensation arrangements or other advisory programs offered by TPMMs with whom we have lower or no compensation arrangements.

We may recommend “Qualified Clients” to TPMMs who charge performance based fees, which may result in payment of higher fees and may result in us sharing said fees. “Qualified Clients” as defined in Rule 205-3 of the Investment Advisers Act of 1940 will have at least \$750,000 of investable assets or they will certify that they have a net worth of at least \$1,500,000 at the time of referral to such TPMMs. Performance-based fees are generally billed on an annual basis and are generally payable in arrears.

You will be required to sign an agreement directly with the recommended TPMM(s). You may terminate your advisory relationship with the TPMM according to the terms of your agreement with the TPMM. You should review each TPMM’s brochure for specific information on how you may terminate your advisory relationship with the TPMM and how you may receive a refund, if applicable. You should contact the TPMM directly for questions regarding your advisory agreement with the TPMM.

### ***IRA Rollover Services***

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

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

An employee will typically have four options:

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

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

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

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

It is important that you understand the differences between these types of accounts and to decide whether a rollover is best for you. Prior to proceeding, if you have questions contact your IAR, or contact our Chief Compliance Officer at 407.869.9800.

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## **TYPES OF INVESTMENTS**

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We offer advice on equity securities (including exchange listed securities (stocks) and exchange traded funds), corporate debt and municipal securities (bonds), commercial paper, certificates of deposit, investment company securities (including variable life insurance, variable annuities, and mutual fund shares), US Government securities, options contracts on securities, and interest in partnerships investing in real estate, oil and gas interests, and other pooled investments in limited partnerships consisting of agriculture, research and development, specialized engineering and technology, equipment leasing and others that are considered to have economic merit. Advice may also be offered on reverse mortgages, Equity Index Annuities, and tax free 1031 Tenants-In-Common Private Placements.

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

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

## **ASSETS UNDER MANAGEMENT**

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As of December 31, 2016, we manage \$1,002,984,444 in client assets on a discretionary basis, and \$100,191,777 in client assets on a non-discretionary basis.



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## **ITEM 5 - FEES AND COMPENSATION**

Please refer to the “Advisory Business” section in this brochure for information on our advisory fees, fee deduction arrangements, and refund policy according to each service we offer.

### **ADDITIONAL FEES AND EXPENSES**

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As part of our investment advisory services to you, we may invest, or recommend that you invest, in mutual funds and exchange traded funds. The fees that you pay to our firm for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or exchange traded funds (described in each fund’s prospectus) to their shareholders. These fees will generally include a management fee and other fund expenses. You will also incur transaction charges and/or brokerage fees when purchasing or selling securities. These charges and fees are typically imposed by the broker/dealer or custodian through whom your account transactions are executed. We do not share in any portion of the brokerage fees/transaction charges imposed by the broker/dealer or custodian. To fully understand the total cost you will incur, you should review all the fees charged by mutual funds, exchange traded funds, our firm, and others. For information on our brokerage practices, please refer to the “Brokerage Practices” section of this brochure.

### **COMPENSATION FOR THE SALE OF SECURITIES OR OTHER INVESTMENT PRODUCTS**

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Persons providing investment advice on behalf of our firm may be registered representatives of Maitland Securities, Inc. (“MSI”) and/or TransAm Securities, Inc. (“TAS”), affiliated securities broker/dealers, and members of the Financial Industry Regulatory Authority (“FINRA”) and the Securities Investor Protection Corporation (“SIPC”). As noted earlier, our firm is “fee only” in that the only compensation it receives is directly from you; however, in their capacity as registered representatives, these persons will receive commission-based compensation in connection with the purchase and sale of securities, including 12b-1 fees for the sale of investment company products. Compensation earned by these persons in their capacities as registered representatives is separate and could be in addition to our advisory fees. This practice may present a conflict of interest because persons providing investment advice on behalf of our firm who are registered representatives have an incentive to effect securities transactions for the purpose of generating commissions rather than solely based on your needs. You are under no obligation, contractually or otherwise, to purchase securities products through any person affiliated with our firm.

Persons providing investment advice on behalf of our firm may be licensed as independent insurance agents. These persons will earn commission-based compensation for selling insurance products, including insurance products they sell to you. Insurance commissions earned by these persons are separate and in addition to our advisory fees. This practice



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presents a conflict of interest because persons providing investment advice on behalf of our firm who are insurance agents have an incentive to recommend insurance products to you for the purpose of generating commissions rather than solely based on your needs. However, you are under no obligation, contractually or otherwise, to purchase insurance products through any person affiliated with our firm.

#### **TAX PREPARATION AND CONSULTING FEES**

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Tax preparation and consulting fees are based on the complexity of the client's tax situation and volume of work.

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

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

Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. We do not participate in side-by-side management of your accounts with performance-based fee accounts.

## **ITEM 7 - TYPES OF CLIENTS**

We offer investment advisory services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations, and other business entities.

In general, we require a minimum of \$100,000 to open and maintain an advisory account. At our discretion, we may waive this minimum account size. For example, we may waive the minimum if you appear to have significant potential for increasing your assets under our management. We may also combine account values for you and your minor children, joint accounts with your spouse, and other types of related accounts to meet the stated minimum.

A minimum fee of \$250/quarter may be charged on the amount under management. In the event the combined total of all accounts under management covered by the Investment Advisory and Management Agreement and all related documents falls below \$66,000, the accounts may be converted to non-managed account status, wherein we will no longer actively manage the accounts or charge advisory fees.

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

### OUR METHODS OF ANALYSIS AND INVESTMENT STRATEGIES

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

No investment strategy or method of analysis can assure that any trade or investment will result in a profit. Furthermore, each client must understand that any trade or investment could result in a loss and that the value of any client portfolio could decline below the original investment.

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

**Fundamental Analysis** – involves analyzing individual companies and their industry groups, such as a company's financial statements, details regarding the company's product line, the experience and expertise of the company's management, and the outlook for the company's industry. The resulting data are used to measure the intrinsic value of the company's stock compared to the current market value. Risks associated with fundamental analysis include that information obtained may be incorrect and the analysis may not provide an accurate estimate of earnings, which may be the basis for a stock's value. If securities prices adjust rapidly to new information, utilizing fundamental analysis may not result in favorable performance.

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

**Long-Term Purchases** – securities purchased with the expectation that the value of those securities will grow over a relatively long period, generally greater than one year. Long-term purchases may be affected by unforeseen long-term changes in the company in which you are invested or in the overall market.

**Short-Term Purchases and Trading** – securities purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short-term price fluctuations. We may use trading (in general, selling securities within 30 days of purchasing the same securities) as an investment

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strategy when managing your account(s). Trading is not a fundamental part of our overall investment strategy, but we may use this strategy occasionally if we determine that it is suitable given your stated investment objectives and tolerance for risk. However, frequent trading can negatively affect investment performance, particularly through increased brokerage and other transactional costs and taxes.

**Short Sales** – a securities transaction in which an investor sells securities he or she borrowed in anticipation of a price decline. The investor is then required to return an equal number of shares at some point in the future. A short seller will profit if the stock goes down in price. Short selling is very risky. Unlike a straightforward investment in stocks where you buy shares with the expectation that their price will increase so you can sell at a profit, in a “short sale” you borrow stocks from your brokerage firm and sell them immediately, hoping to buy them later at a lower price. Thus, a short seller hopes that the price of a stock will go down in the near future. A short seller thus uses declines in the market to his advantage. The seller makes money when the stock prices fall and loses when prices go up. The SEC has strict regulations in place regarding short selling. There is no ceiling on how much a short seller can lose in a trade. The share price may keep going up and the short seller will have to pay whatever the prevailing stock price is to buy back the shares. However, the gains have a ceiling level because the stock price cannot fall below zero. A short seller has to undertake to pay the earnings on the borrowed securities as long as he chooses to keep his short position open. If the company declares huge dividends or issues bonus shares, the short seller will have to pay that amount to the lender. Any such occurrence can skew the entire short investment and make it unprofitable. The broker can use the funds in the short seller’s margin account to buy back his loaned shares or issue a ‘call away’ to get the short seller to return the borrowed securities. If the broker makes this call when the stock price is much higher than the price at the time of the short sale, then the investor can end up with significant losses.

**Margin Transactions** – a securities transaction in which an investor borrows money to purchase a security, in which case the security serves as collateral on the loan. Margin trading allows you to buy more stock than you would be able to normally. An initial investment of at least \$2,000 is required for a margin account, though some brokerages require more. This deposit is known as the minimum margin. Once the account is opened and operational, you can borrow up to 50% of the purchase price of a stock. This portion of the purchase price that you deposit is known as the initial margin. Some brokerages require you to deposit more than 50% of the purchase price. Not all stocks qualify to be bought on margin. When you sell the stock in a margin account, the proceeds go to your broker against the repayment of the loan until it is fully paid. There is also a restriction called the maintenance margin, which is the minimum account balance you must maintain before your broker will force you to deposit more funds or sell stock to pay down your loan. When this happens, it is known as a margin call. If for any reason you do not meet a margin call, the brokerage has the right to sell your securities to increase your account equity until you are above the maintenance margin. Additionally, your broker may not be required to consult you before selling. Under most margin agreements, a firm can sell your securities without waiting for you to meet the margin call and you cannot control which

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stock is sold to cover the margin call. You also have to pay the interest on your loan. The interest charges are applied to your account unless you decide to make payments. Over time, your debt level increases as interest charges accrue against you. As debt increases, the interest charges increase, and so on. Therefore, buying on margin is mainly used for short-term investments. The longer you hold an investment, the greater the return that is needed to break even. In volatile markets, prices can fall very quickly. You can lose more money than you have invested.

We may provide advice on using securities options contracts for client portfolios as a hedging strategy. We may recommend buying and/or writing options contracts (puts and calls) and use different combinations of buying and/or writing options contracts in order to hedge individual securities and/or client portfolios. Hedging against investment risk is the strategic use of instruments in the market to offset adverse price movement risk. In other words, investors hedge one investment by making another. Hedging, for the most part, is a technique not by which you will make money but by which you can reduce potential loss. If the investment you are hedging against makes money, you will have typically reduced the profit that you could have made, and if the investment loses money, your hedge, if successful, will reduce that loss. Hedging techniques generally involve the use of complicated financial instruments known as derivatives, the two most common of which are options and futures.

**Options Writing** – a securities transaction that involves selling options. An option is the right, but not the obligation, to buy or sell a particular security at a specified price before the expiration date of the option. When an investor sells an option, he or she must deliver to the buyer a specified number of shares if the buyer exercises the option. The seller receives from the buyer a premium (the market price of the option at a particular time) in exchange for writing the option.

Options are complex securities that *involve risks and are not suitable for everyone. Options trading can be speculative in nature and carry substantial risk of loss. It is generally recommended that you only invest in options with risk capital.* Selling options is more complicated and can be even riskier. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an underlying asset at a specific price on or before a certain date (the “expiration date”).

The two types of options are calls and puts:

- A call gives the holder the right to buy an asset at a certain price within a specific period of time. Calls are similar to having a long position on a stock. Buyers of calls hope that the stock will increase substantially before the option expires.
- A put gives the holder the right to sell an asset at a certain price within a specific period of time. Puts are very similar to having a short position on a stock. Buyers of puts hope that the price of the stock will fall before the option expires.

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The risks pertaining to options buyers are:

- Risk of losing your entire investment in a relatively short period of time.
- The risk of losing your entire investment increases if, as expiration nears, the stock is below the strike price of the call (for a call option) or if the stock is higher than the strike price of the put (for a put option).
- European style options can only realize value upon expiration, since they do not have secondary markets on which to sell the options prior to expiration.
- Specific exercise provisions of a specific option contract may create risks.
- Regulatory agencies may impose exercise restrictions, which stops you from realizing value.

The risks pertaining to options sellers are:

- Options sold may be exercised at any time before expiration.
- Covered Call traders forgo the right to profit when the underlying stock rises above the strike price of the call options sold and continues to risk a loss due to a decline in the underlying stock.
- Writers of Naked Calls risk unlimited losses if the underlying stock rises.
- Writers of Naked Puts risk substantial losses if the underlying stock drops.
- Writers of naked positions run margin risks if the position goes into significant losses. Such risks may include liquidation by the broker.
- Writers of call options can lose more money than a short seller of that stock can lose on the same rise on that underlying stock. This is an example of how the leverage in options can work against the option trader.
- Writers of Naked Calls are obligated to deliver shares of the underlying stock if those call options are exercised.
- Call options can be exercised outside of market hours such that effective remedy actions cannot be performed by the writer of those options.
- Writers of stock options are obligated under the options that they sold even if a trading market is not available or that they are unable to perform a closing transaction.
- The value of the underlying stock may substantially rise or fall unexpectedly, leading to an exercise prior to expiration.

Other options trading risks are:

- The complexity of some options strategies is a significant risk on its own.
- Options trading exchanges or markets and options contracts are open to changes at all times.
- Options markets have the right to halt the trading of any options, thus preventing investors from realizing value.
- Risk of erroneous reporting of exercise value.
- If an options brokerage firm becomes insolvent, investors trading through that firm may be affected.
- Internationally traded options have special risks due to time zone differences.

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General risks that are not limited to options trading include market risk, sector risk and individual stock risk. Since stock options are a derivative of stocks, options trading risks are closely related to stock risks.

Modern Portfolio Theory (MPT) is a theory of investing which attempts to maximize portfolio expected return for a given amount of portfolio risk, or equivalently minimize risk for a given level of expected return, by carefully choosing the proportions of various assets. MPT is a mathematical formulation of the concept of diversification in investing, with the aim of selecting a collection of investment assets that has collectively lower risk than any individual asset. The risk, return, and correlation measures used by MPT are mathematical statements about the future. In practice, investors must substitute predictions based on historical measurements of asset return and volatility for these values in the equations. Very often, such expected values fail to take account of new circumstances, which did not exist when the historical data were generated.

We may advise clients to implement investments utilizing the dollar cost averaging investment strategy. Dollar cost average is a technique of buying a fixed dollar amount of a particular investment on a regular schedule, regardless of the share price. More shares are purchased when prices are low, and few shares are bought when prices are high. Eventually, the average cost per share will become smaller and smaller. Dollar-cost averaging lessens the risks of investing a large amount in a single investment at the wrong time. However, when the stock you purchased never goes up, you risk buying more shares of the stock every set period sinking more money into a stock that never goes up.

## **TAX CONSIDERATIONS**

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

Moreover, as a result of revised IRS regulations, custodians and broker/dealers will begin reporting the cost basis of equities acquired in client accounts on or after January 1, 2011. Your custodian will default to the FIFO (First-In First-Out) accounting method for calculating the cost basis of your investments. You are responsible for contacting your tax adviser to determine if this accounting method is the right choice for you. If your tax adviser believes another accounting method is more advantageous, please provide written notice to our firm immediately and we will alert your account custodian of your individually selected accounting method. Please note that decisions about cost basis accounting methods will need to be made before trades settle, as the cost basis method cannot be changed after settlement.



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## RISK OF LOSS

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Investing in securities involves risk of loss that you should be prepared to bear. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. We cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is in no way an indication of future performance.

## RECOMMENDATION OF PARTICULAR TYPES OF SECURITIES

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As disclosed under the *Advisory Business* section in this brochure, we advise on various types of securities. We do not necessarily recommend one particular type of security over another, since each client has different needs and different tolerances for risk. Each type of security has its own unique set of associated risks. Risks can vary widely, even within the same type of securities. However, in very general terms, the higher the anticipated return of an investment, the higher the risk of loss associated with it.

We do recommend mutual funds, Exchange Traded Funds (ETF), individual stocks and bonds and non-traded real estate investment trusts (REITS), however, we may recommend other types of investments as appropriate for you since each client has different needs and different tolerance for risk. Each type of security has its own unique set of risks associated with it and it would not be possible to list here all of the specific risks of every type of investment. Even within the same type of investment, risks can vary widely. However, in very general terms, the higher the anticipated return of an investment, the higher the risk of loss associated with it.

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

**Mutual funds and exchange traded funds** are professionally managed collective investment systems that pool money from many investors and invest in stocks, bonds, short-term money market instruments, other mutual funds, other securities, or any combination thereof. The fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. While mutual funds and ETFs generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market, primarily invests in small cap or speculative companies,



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uses leverage (i.e., borrows money) to a significant degree, or concentrates in a particular type of security (i.e., equities) rather than balancing the fund with different types of securities. Exchange traded funds differ from mutual funds since they can be bought and sold throughout the day like stock and their price can fluctuate throughout the day. The returns on mutual funds and ETFs can be reduced by the costs to manage the funds. In addition, while some mutual funds are “no load” and charge no fee to buy into, or sell out of, the fund, other types of mutual funds charge such fees which can also reduce returns. Mutual funds can also be “closed end” or “open end.” So-called “open end” mutual funds continue to allow in new investors indefinitely, which can dilute other investors’ interests.

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

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

**A real estate investment trust** or REIT is a corporate entity, which invests in real estate and/or engages in real estate financing. A REIT reduces or eliminates corporate income taxes. REITs can be publicly or privately held. Public REITs may be listed on public stock exchanges. REITs are required to declare 90% of their taxable income as dividends, but they actually pay dividends out of funds from operations, so cash flow has to be strong or the REIT must either dip into reserves, borrow to pay dividends, or distribute them in stock (which causes dilution). After 2012, the IRS stopped permitting stock dividends. Most REITs were required to refinance or erase large balloon debts by the end of 2012. The credit markets are no longer frozen, but banks are demanding, and getting, harsher terms to re-extend REIT debt. Some REITs may be forced to make secondary stock offerings to repay debt, which will lead to additional dilution of the stockholders. Fluctuations in the real estate market can affect the REIT’s value and dividends.

**Reverse mortgages** allow those who are 62 or older to convert part of the equity in your home into cash without having to sell your home or pay additional monthly bills. In a “reverse” mortgage, you receive money from the lender, and generally do not have to pay it back for as long as you live in your home. The loan is repaid when you die, sell your home, or, when your home is no longer your primary residence. The proceeds of a reverse mortgage generally are tax-free, and many reverse mortgages have no income restrictions. Reverse mortgages are more expensive than traditional home loans and the up-front costs can be high. That is important to consider, especially if you plan to stay in your home for

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just a short time or borrow a small amount.

**Equity Indexed Annuities** (EIAs) are complex financial instruments that have characteristics of both fixed and variable annuities. Their return varies more than a fixed annuity, but not as much as a variable annuity. So EIAs give you more risk (but more potential return) than a fixed annuity but less risk (and less potential return) than a variable annuity. EIAs offer a minimum guaranteed interest rate combined with an interest rate linked to a market index. Because of the guaranteed interest rate, EIAs have less market risk than variable annuities. EIAs also have the potential to earn returns better than traditional fixed annuities when the stock market is rising. EIAs are long-term investments. Getting out early may mean taking a loss. Many EIAs have surrender charges. The surrender charge can be a percentage of the amount withdrawn or a reduction in the interest rate credited to the EIA. Also, any withdrawals from tax-deferred annuities before you reach the age of 59½ are generally subject to a 10 percent tax penalty in addition to any gain being taxed as ordinary income.

**Section 1031 Exchange** of the Internal Revenue Code provides that no gain or loss shall be recognized on the exchange of property held for productive use in a trade or business, or for investment. A tax-deferred exchange is a method by which a property owner trades one or more relinquished properties for one or more replacement properties of "like-kind," while deferring the payment of federal income taxes and some state taxes on the transaction. The theory behind Section 1031 is that when a property owner has reinvested the sale proceeds into another property, the economic gain has not been realized in a way that generates funds to pay any tax. In other words, the taxpayer's investment is still the same, only the form has changed (e.g. vacant land exchanged for apartment building). Therefore, it would be unfair to force the taxpayer to pay tax on a "paper" gain. The like-kind exchange under Section 1031 is tax-deferred, not tax-free. When the replacement property is ultimately sold (not as part of another exchange), the original deferred gain, plus any additional gain realized since the purchase of the replacement property, is subject to tax. Every Section 1031 Exchange transaction is different.

**A variable annuity** is a form of insurance where the seller or issuer (typically an insurance company) makes a series of future payments to a buyer (annuitant) in exchange for the immediate payment of a lump sum (single-payment annuity) or a series of regular payments (regular-payment annuity). The payment stream from the issuer to the annuitant has an unknown duration based principally upon the date of death of the annuitant. At this point, the contract will terminate and the remainder of the fund accumulated forfeited unless there are other annuitants or beneficiaries in the contract. Annuities can be purchased to provide an income during retirement. Unlike fixed annuities that make payments in fixed amounts or in amounts that increase by a fixed percentage, variable annuities, pay amounts that vary according to the performance of a specified set of investments, typically bond and equity mutual funds. Many variable annuities typically impose asset-based sales charges or surrender charges for withdrawals within a specified period. Variable annuities may impose a variety of fees and expenses, in addition to sales and surrender charges, such as: mortality and expense risk charges; administrative fees;

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underlying fund expenses; and charges for special features, all of which can reduce the return. Earnings in a variable annuity do not provide all the tax advantages of 401(k)s and other before-tax retirement plans. Once the investor starts withdrawing money from their variable annuity, earnings are taxed at the ordinary income rate, rather than at the lower capital gains rates applied to other non-tax-deferred vehicles, which are held for more than one year. Proceeds of most variable annuities do not receive a "step-up" in cost basis when the owner dies like stocks, bonds, and mutual funds do. Some variable annuities offer "bonus credits." These are usually not free. In order to fund them, insurance companies typically impose mortality and expense charges, and surrender charge periods. In an exchange of an existing annuity for a new annuity (also called a 1035 exchange), the new variable annuity may have a lower contract value and a smaller death benefit; may impose new surrender charges or increase the period of time for which the surrender charge applies; may have higher annual fees; and may provide another commission for the broker.

If a portion of your assets is managed by a **third party money manager** (TPMM), we will not determine the investments to be made for your account, but we will monitor the investments in the accounts managed by TPMMs and advise you on those holdings. If there is a significant deviation in characteristics or performance from the stated strategy and/or benchmark, we will alert you and recommend replacing TPMMs, as appropriate for your individual circumstances and objectives.

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## ITEM 9 - DISCIPLINARY INFORMATION

Certified Advisory Corp. has been registered and providing investment advisory services since 1991. Neither our firm nor any of our Associated Persons has any reportable disciplinary information.

## ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

**Certified Financial Group, Inc.** ("CFG"), through service contracts, provides administration and marketing support to the following companies: CAC offers investment advisory services. Certified Benefits Corp ("CBC") offers third party administration and record keeping services. Certified Insurance Corp ("CIC") offers insurance sales and services. We are affiliated with these entities through common control. It is expected that advisory clients may do business with our affiliates. However, you are under no obligation, contractually or otherwise to use our services or those of our affiliates. Additionally, you are under no obligation, contractually or otherwise to utilize the services of our advisory personnel in their separate capacities as owners, officers, or employees of our affiliates.

**Certified Insurance Corp services may be utilized by advisory clients** for insurance products recommended for implementation of insurance needs. Persons providing investment advice on behalf of our firm may be licensed as insurance agents. These persons may earn commission-based compensation for selling insurance products, including insurance products they sell to you. Insurance commissions earned by these persons are separate from our advisory fees. This practice may present a conflict of interest because persons providing investment advice on behalf of our firm who are insurance agents have an incentive to recommend insurance products to you for the purpose of generating commissions rather than solely based on your needs. However, you are under no obligation, contractually or otherwise, to purchase insurance products through any person affiliated with our firm. Please see the "Fees and Compensation" section in this brochure for more information on the compensation received by insurance agents who are affiliated with our firm.

**Certified Benefits Corp** is an affiliated Third Party Administrator/Record Keeper involved in the design, implementation, and administration of Qualified Plans. If appropriate, we may recommend that you consider engaging the services of CBC. Our advisory services and fees are separate and distinct from the services and fees of CBC. This may present a conflict of interest because we have an incentive to recommend the services of CBC and our owner will benefit financially from both entities. However, clients may realize overall lower costs through the bundling of services.

**Maitland Securities, Inc. and TransAm Securities, Inc.** are registered broker/dealers who have management agreements for administrative and marketing services with CFG. You may utilize the services of MSI and/or TAS for securities products recommended for implementation of securities needs. We are affiliated with MSI and TAS through common control. MSI and TAS are securities broker/dealers and members of the FINRA and the

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SIPC. Persons providing investment advice on behalf of our firm may also be registered representatives with MSI and/or TAS. In their capacity as registered representatives, these persons will receive commission-based compensation in connection with the purchase and sale of securities, including 12b-1 fees for the sale of investment company products. Compensation earned by these persons in their capacities as registered representatives is separate from our advisory fees. This practice may present a conflict of interest because persons providing investment advice on behalf of our firm who are registered representatives have an incentive to effect securities transactions for the purpose of generating commissions rather than solely based on your needs. However, you are under no obligation, contractually or otherwise, to purchase securities products through any person affiliated with our firm. Please see the “Fees and Compensation” section in this brochure for more information on the compensation received by securities representatives who are affiliated with our firm.

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

### **DESCRIPTION OF OUR CODE OF ETHICS**

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We strive to comply with applicable laws and regulations governing our practices. Therefore, our Code of Ethics includes guidelines for professional standards of conduct for our Associated Persons. Our goal is to protect your interests at all times and to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing with you. All of our Associated Persons are expected to adhere strictly to these guidelines. Our Code of Ethics also requires that certain persons associated with our firm submit reports of their personal account holdings and transactions to a qualified representative of our firm who will review these reports on a periodic basis. Persons associated with our firm are also required to report any violations of our Code of Ethics. Additionally, we maintain and enforce written policies reasonably designed to prevent the misuse or dissemination of material, non-public information about you or your account holdings by persons associated with our firm.

Clients and prospective clients may obtain a copy of our Code of Ethics by contacting our Chief Compliance Officer at 407.869.9800.

### **PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS**

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

### **PERSONAL TRADING PRACTICES**

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Associated Persons of our firm may buy or sell the same securities that are already invested in or that we select or recommend for you. A conflict of interest exists in such cases because we have the ability to trade ahead of you and potentially receive more favorable prices than you will receive. To eliminate this conflict of interest, it is our policy that neither our Associated Persons nor we shall have priority over your account in the purchase or sale of securities. In addition, Associated Persons' trades are reviewed by the Chief Compliance Officer or designee.

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## ITEM 12 - BROKERAGE PRACTICES

We will recommend brokers to clients such as Fidelity Brokerage Services, LLC (“Fidelity”), and TD Ameritrade Institutional, a division of TD Ameritrade, Inc. (“TD Ameritrade”), among others, all of which are independent and unaffiliated firms. Such recommendations will take into account a number of factors, some of which may include custodial fees charged by the broker for holding securities for the client, commission rates, quality of execution and record keeping and reporting capabilities, among others. When recommending a broker, we will attempt to minimize the total cost for all brokerage services paid by you. However, it may be the case that the recommended broker charges a higher fee for a particular type of service, such as commission rates, than can be obtained from another broker. You may utilize the broker/dealer of your choice and have no obligation to purchase or sell securities through such broker as we recommend.

### *Additional Fidelity Disclosure*

Certified Advisory Corp has an arrangement with National Financial Services LLC and Fidelity Brokerage Services LLC (collectively, and together with all affiliates, “Fidelity”) through which Fidelity provides Certified Advisory Corp with “institutional platform services.” The institutional platform services include, among others, brokerage, custody, and other related services. Fidelity’s institutional platform services that assist Certified Advisory Corp in managing and administering clients’ accounts include software and other technology that (i) provide access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing and other market data; (iv) facilitate payment of fees from its clients’ accounts; and (v) assist with back-office functions, recordkeeping and client reporting.

Fidelity also offers other services intended to help Certified Advisory Corp manage and further develop its advisory practice. Such services include, but are not limited to, performance reporting, financial planning, contact management systems, third party research, publications, access to educational conferences, roundtables and webinars, practice management resources, access to consultants and other third party service providers who provide a wide array of business related services and technology with whom Certified Advisory Corp may contract directly.

Certified Advisory Corp is independently operated and owned and is not affiliated with Fidelity.

Fidelity generally does not charge its adviser clients separately for custody services, but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Fidelity or that settle into Fidelity accounts (i.e. transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). Fidelity provides access to many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges.



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### ***Additional TD Ameritrade Disclosure***

We participate in the TD Ameritrade Institutional program through which we receive some benefits from TD Ameritrade. There is no direct link between our participation in the program and the investment advice we provide to you, although we do receive economic benefits through our participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate Client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving adviser participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts); the ability to have advisory fees deducted directly from Client accounts; access to an electronic communications network for Client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to our firm by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by our associated persons. Some of the products and services made available by TD Ameritrade through the program may benefit our firm and/or associated persons but may not benefit you or your accounts. These products or services may assist our firm in managing and administering Client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help us manage and further develop our business enterprise. The benefits we receive through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of our fiduciary duty to clients, we endeavor at all times to put the interests of our clients first. You should be aware; however, that the receipt of economic benefits by our firm or our associated persons itself creates a conflict of interest and may indirectly influence our choice of TD Ameritrade for custody and brokerage services.

The products and services we receive from TD Ameritrade will generally be used in servicing all of our clients' accounts. Our use of these products and services will not be limited to the accounts that paid commissions to the broker/dealer for such products and services.

### **TRADE ERRORS**

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In the event that trading errors occur in your portfolio, the trading error will be corrected so that you are not disadvantaged. The Designated Supervisor at our firm will review all trading errors and ensure they are corrected in accordance with our compliance policies and procedures. Our policy is to restore your account to the position it should have been in had the trading error not occurred. Depending on the circumstances, corrective actions may include canceling the trade, adjusting an allocation, and/or reimbursing the account. If a trade error results in a profit, the error will be corrected in the trade error account of the executing broker/dealer or account custodian. If there is a credit balance in the error account at the end of a quarter, it will be forwarded to a qualified charity. There may be a



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minimum, such as \$100 or greater, in order for the credit balance to be transferred to the qualified charity.

## **DIRECTED BROKERAGE**

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We routinely recommend that you direct our firm to execute transactions through Fidelity or TD Ameritrade. As such, we may be unable to achieve the most favorable execution of your transactions and you may pay higher brokerage commissions than you might otherwise pay through another broker/dealer that offers the same types of services. Not all advisers require their clients to direct brokerage.

In limited circumstances and at our sole discretion you may instruct us to use one or more particular brokers for the transactions in your accounts. If you want to direct us to use a particular broker you should understand that this may prevent us from aggregating trades with other orders and/or may limit our ability to achieve the best combination of price and execution. Thus, when directing brokerage business, you should consider whether the commission expenses, execution, clearance, and settlement capabilities that they will obtain through your broker are adequately favorable in comparison to those that we would otherwise obtain for our clients.

Persons providing investment advice on behalf of our firm who are registered representatives of MSI and/or TAS may recommend MSI and/or TAS to you for certain brokerage services. These individuals are subject to applicable rules that restrict them from conducting certain securities transactions away from MSI and/or TAS unless MSI and/or provide the representative with written authorization to do so. Therefore, these individuals are generally limited to conducting certain securities transactions through MSI and/or TAS. It may be the case that MSI and/or TAS charges higher transactions costs and/or custodial fees than another broker charges for the same types of services. If transactions are executed through MSI and/or TAS, these individuals (in their separate capacities as registered representatives of MSI and/or TAS) may earn commission-based compensation as result of placing the recommended securities transactions through MSI and/or TAS. This practice presents a conflict of interest because these registered representatives have an incentive to effect securities transactions for the purpose of generating commissions rather than solely based on your needs. You may utilize the broker/dealer of your choice and have no obligation to purchase or sell securities through such broker as we recommend. Please see the “Fees and Compensation” section in this brochure for more information on the compensation received by registered representatives who are affiliated with our firm.

MSI and TAS do not offer custodial services. We rarely refer an advisory client to MSI or TAS. However, if a client elects to use MSI and/or TAS in the implementation of a financial plan, any security commission, which an advisory representative of our firm may receive as a result of such security transactions, will be disclosed to the client in advance. CAC will not share in any commission and/or transaction fee resulting from the purchase or sale of securities.

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## BLOCK TRADES

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Client accounts are primarily invested in mutual funds, which are bought and sold at Net Asset Value ("NAV") and do not trade in blocks. Where individual securities, such as stocks and ETFs, are purchased or sold for client accounts, transactions for each client generally will be effected independently, unless we decide to purchase or sell the same securities for several clients at approximately the same time. We may, but are not obligated to, combine multiple orders for shares of the same securities purchased for advisory accounts we manage (this practice is commonly referred to as "block trading"). A portion of the shares will be distributed to participating accounts in a fair and equitable manner. The distribution of the shares purchased is typically proportionate to the size of the account, but it is not based on account performance or the amount or structure of management fees. Subject to our discretion regarding factual and market conditions, when we combine orders, each participating account pays an average price per share for all transactions and pays a proportionate share of all transaction costs on any given day. Accounts owned by our firm or persons associated with our firm may participate in block trading with your accounts; however, they will not be given preferential treatment.

We combine multiple orders for shares of the same securities purchased for discretionary accounts; however, we do not combine orders for non-discretionary accounts. Accordingly, non-discretionary accounts may pay different costs than discretionary accounts pay. If you enter into non-discretionary arrangements with our firm, we may not be able to buy and sell the same quantities of securities for you and you may pay higher commissions, fees, and/or transaction costs than clients who enter into discretionary arrangements with our firm.

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### **ITEM 13 - REVIEW OF ACCOUNTS**

The IARs of Certified Advisory Corp will monitor your accounts on an ongoing basis, will conduct account reviews at least quarterly, (and upon your request) to ensure that the advisory services provided to you is consistent with your stated investment needs and objectives. Additional reviews may be conducted based on various circumstances, including, but not limited to:

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

We will provide you with quarterly reports. These reports may be produced by an independent service provider that delivers financial account data from thousands of custodians. This system allows us to provide efficient and timely account reconciliation, performance analysis, and consolidated reporting to you. In addition, you will receive trade confirmations and monthly or quarterly statements from your account custodian(s).

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

We may enter into arrangements with individuals or entities (the "Solicitor") under which the Solicitor will refer potential clients to us for investment advisory services. In turn, we will agree to pay a referral fee to the Solicitor. The fee may be a fixed amount or a percentage of the advisory fee collected. Referral fees paid to Solicitor is contingent upon the client entering into an advisory agreement with us. The client will not pay a fee higher than the published fee schedule as shown on Page 9.

As disclosed under the "Fees and Compensation" section in this brochure, persons providing investment advice on behalf of our firm may be licensed insurance agents, and are registered representatives with MSI and/or TAS. For information on the conflicts of interest this presents, and how we address these conflicts, please refer to the "Fees and Compensation" section.

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## ITEM 15 - CUSTODY

"Custody" means holding, directly or indirectly, client funds or securities, or having any authority to obtain possession of them. An adviser has custody if it or a related person or entity holds, directly or indirectly client funds or securities, or has any authority to obtain possession of them, in connection with advisory services provided to clients. A related person is a person or entity directly or indirectly controlling or controlled by the adviser and any person or entity under common control with the adviser.

Your funds and securities will be held with a bank, broker/dealer, or other independent, qualified custodian. As paying agent for our firm, your independent custodian will directly debit your accounts for the payment of our advisory fees. Although we do not take physical possession of your funds or securities, the ability to deduct our advisory fees from your accounts causes our firm to exercise limited custody over your funds or securities. We may also have custody on certain accounts for which we have online access using your log in credentials you provided to us in order to implement changes in your account on your behalf. In addition, if engaged in the capacity as third party administrator, our affiliate, Certified Benefits Corp, may have access to certain funds and securities held in your accounts by the independent, qualified custodian; therefore, custody may be imputed to our firm.

You will receive account statements from the independent, qualified custodians holding your funds and securities at least quarterly. The account statements from your independent, qualified custodians will show the assets in your account and indicate the amount of our advisory fees deducted from your accounts each billing period. You should carefully review account statements for accuracy. The periodic reports we provide to you also reflect the amount of advisory fee deducted from your account.

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## ITEM 16 - INVESTMENT DISCRETION

Before we can buy or sell securities on your behalf, you must first sign our discretionary management agreement, and/or a power of attorney, and/or trading authorization forms, if applicable.

You may grant our firm discretion over the selection and amount of securities to be purchased or sold for your account(s) without obtaining your consent or approval prior to each transaction. You may specify investment objectives, guidelines, and/or impose certain conditions or investment parameters for your account(s). For example, you may specify that the investment in any particular stock or industry should not exceed specified percentages of the value of the portfolio and/or restrictions or prohibitions of transactions in the securities of a specific industry or security. Additionally, you may require us to discuss recommendations of certain types of trades or investments in certain securities prior to execution. Please refer to the *Advisory Business* section in this brochure for more information on our discretionary management services.

If you enter into non-discretionary arrangements with our firm, we must obtain your approval prior to executing any transactions on behalf of your account. You have an unrestricted right to decline to implement any advice provided by our firm on a non-discretionary basis.

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## **ITEM 17 - VOTING CLIENT SECURITIES**

### **PROXY VOTING**

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

In most cases, you will receive proxy materials directly from the account custodian. However, in the event we were to receive any written or electronic proxy materials, we would forward them directly to you by mail, unless you have authorized our firm to contact you by electronic mail, in which case, we would forward any electronic solicitation to vote proxies. Additionally, there is no obligation for the firm and no regulatory requirement for the firm to pursue class action lawsuits on behalf of the firm's Clients.

## **ITEM 18 - FINANCIAL INFORMATION**

Our firm does not have any financial conditions or impairments that would prevent us from meeting our contractual commitments to you. We do not take physical custody of client funds or securities, or serve as trustee or signatory for client accounts, and, we do not require the prepayment of more than \$1,200 in fees six or more months in advance. Therefore, we are not required to include a financial statement with this brochure.

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## ITEM 19 - ADDITIONAL INFORMATION

### PRIVACY STATEMENT

*The following privacy statement is issued by Certified Advisory Corp (CAC).*

#### CERTIFIED ADVISORY CORP PRIVACY POLICY

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Certified Advisory Corp (CAC) recognizes that its customers have an expectation that CAC will maintain the confidentiality of customers' nonpublic personal information. As a result, CAC has adopted this Privacy Policy concerning information that you provide and information that is obtained in servicing your account.

Information about you is collected for purposes of administering your account or accounts with us. We collect information about you for specific business purposes and not for resale or transfer to unaffiliated parties. The information we collect, the source of the information and the purpose it is used for are explained below. If you close your account or it becomes inactive, CAC will adhere to the privacy policies and practices described in this notice.

#### INFORMATION COLLECTED

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Nonpublic personal information is collected and retained by CAC for purposes of administering your account. It is not furnished to third parties for any purpose other than to administer the account. The information we collect can be summarized as follows:

**Account Establishment Information.** This information is furnished by you on forms creating your account with CAC. Examples are your name and address, Social Security number and beneficiary designations (if applicable).

**Account Transaction Information.** This includes information obtained from you and the various entities that comprise the assets in your account. It includes correspondence and phone contacts with us concerning the account, account assets, and our services. If the account was transferred from another financial institution, it may contain records from that institution.

#### NONPUBLIC INFORMATION THAT IS DISCLOSED

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All information in your account may be disclosed to any person or entity you have authorized pursuant to your account establishment documents. In addition, information may be disclosed to affiliated or nonaffiliated third parties to further your goals in establishing an account with CAC. Categories of information that are disclosed are as follows:

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**Identifying Information.** Examples of this information include your name, address and Social Security or tax identification number.

**Transaction Information.** Examples include your directives to purchase or sell an asset in your account and the receipt of income to the account or distributions from the account.

## **PARTIES TO WHOM WE MAY DISCLOSE NONPUBLIC INFORMATION**

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CAC may disclose both identification and transaction information to third parties for the following reasons:

**Financial Services Providers.** Examples are brokers, transfer agents, mutual fund companies or other representatives of the seller or purchaser of the asset or a firm that provides valuations for securities.

**Nonfinancial Companies.** Examples are companies that mail reports and prospectuses to you, statement printers, and tax form providers.

CAC does not disclose nonpublic personal information about our Clients to any party except as permitted by law; however, Clients understand that CAC IARs are independent contractors. In opening accounts, IARs have access to your nonpublic personal information, e.g., social security number, driver's license number, address, etc. If an IAR leaves the firm, the firm's policy is to maintain the confidentiality of your nonpublic personal information. If you choose to opt-out of this policy, you must notify the firm's Chief Compliance Officer in writing.

## **HOW CAC PROTECTS THE CONFIDENTIALITY OF YOUR NONPUBLIC PERSONAL INFORMATION**

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CAC values the trust you place in us. To maintain that trust, we have put into place safeguards to protect the privacy of your nonpublic personal information. We do not sell or trade your information with other companies. When information is provided to third party providers to service the account, safeguards are in place to make certain that the information is used only for the purpose it is provided. Internally, CAC maintains its records on secured computers. Prospective employees are screened for criminal convictions and drug use. Once hired, employees are advised of CAC privacy policies and of the confidential nature of the information they handle. Employees are limited to accessing only that customer information that is necessary to perform their job functions.

CAC considers privacy a fundamental right of Clients and takes seriously the obligation to safeguard Client information. We will adhere to the policies and practices above for both current and former customers.

Although electronic mail (e-mail) may not be as secure as other forms of communication,



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unless otherwise stipulated via written instructions from the Client, CAC will utilize e-mail as a form of communication with the Client. All notices and other communications shall be deemed duly provided if sent via e-mail to the Client's e-mail address currently on file. The Client is reminded to update CAC regarding changes to this information.

For questions concerning this policy, please contact us by calling us at 407.869.9800 or writing to: Privacy Management, c/o Compliance Department, Certified Advisory Corp, 1111 Douglas Avenue, Altamonte Springs, Florida 32714.