

# Brown Financial Advisory Firm Brochure

*This brochure provides information about the qualifications and business practices of Brown Financial Advisory. If you have any questions about the contents of this brochure, please contact us at (251) 928-9498 or by email at: ScottM@BrownFinancialAdvisory.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.*

*Additional information about Brown Financial Advisory is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Brown Financial Advisory's CRD number is: 155548*

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*Registration does not imply a certain level of skill or training.*

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## **Item 2: Material Changes**

The material changes in this brochure from the last annual updating amendment of Brown Financial Advisory on January 27, 2014 are described below. This list summarizes changes to policies, practices or conflicts of interests only.

- Brown Financial Advisory has transitioned from state to SEC-level registration

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## **Item 4: Advisory Business**

### **A. Description of the Advisory Firm**

This firm has been in business since 12/31/2010, and the principal owner is Daniel Scott McLeod.

### **B. Types of Advisory Services**

Brown Financial Advisory (hereinafter "BFA") offers the following services to advisory clients:

#### ***Investment Supervisory Services***

BFA offers ongoing portfolio management services based on the individual goals, objectives, time horizon, and risk tolerance of each client. BFA creates an Investment Policy Statement for each client, which outlines the client's current situation (income, tax levels, and risk tolerance levels) and then constructs a plan (the Investment Policy Statement) to aid in the selection of a portfolio that matches each client's specific situation. Investment Supervisory Services include, but are not limited to, the following:

- Investment strategy
- Asset allocation
- Risk tolerance
- Personal investment policy
- Asset selection
- Regular portfolio monitoring

BFA evaluates the current investments of each client with respect to their risk tolerance levels and time horizon. BFA will request discretionary authority from clients in order to select securities and execute transactions without permission from the client prior to each transaction. Clients may elect not to provide discretionary authority. Risk tolerance levels are documented in the Investment Policy Statement, which is given to each client.

#### ***Financial Planning***

Financial plans and financial planning may include, but are not limited to: investment planning, life insurance; tax concerns; retirement planning; college planning; and debt/credit planning. These services are based on fixed fees or hourly fees and the final fee structure is documented in Exhibit II of the Financial Planning Agreement.

#### ***Services Limited to Specific Types of Investments***

BFA limits its investment advice and/or money management to mutual funds, equities, bonds, fixed income, debt securities, ETFs, real estate, hedge funds, third party money managers, REITs, insurance products including annuities, private placements, government securities. BFA may use other securities as well to help diversify a portfolio when applicable.

### **C. Client Tailored Services and Client Imposed Restrictions**

BFA offers the same suite of services to all of its clients. However, specific client financial plans and their implementation are dependent upon the client Investment Policy Statement which outlines each client's current situation (income, tax levels, and risk tolerance levels) and is used to construct a client specific plan to aid in the selection of a portfolio that matches restrictions, needs, and targets.

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

### **D. Wrap Fee Programs**

BFA does not participate in any wrap fee programs.

### **E. Amounts Under Management**

BFA has the following assets under management:

<b>Discretionary Amounts:</b>	<b>Non-discretionary Amounts:</b>	<b>Date Calculated:</b>
\$105,594,745.00	\$2,327,292.00	12/31/2013

## Item 5: Fees and Compensation

### A. Fee Schedule

#### *Investment Supervisory Services Fees*

Total Assets Under Management	Annual Fee
\$1 - \$500,000	1.00%
\$500,001 - \$750,000	0.90%
\$750,001 - \$1,000,000	0.80%
\$1,000,001 - \$2,000,000	0.70%
Above \$2,000,000	0.60%

These fees are negotiable and the final fee schedule is attached as Exhibit II of the Investment Advisory Contract. Fees are paid quarterly in advance, and clients may terminate their contracts with thirty days' written notice. Refunds are given on a prorated basis, based on the number of days remaining in a quarter at the point of termination. Clients may terminate their contracts without penalty, for full refund, within 5 business days of signing the advisory contract. Advisory fees are withdrawn directly from the client's accounts with client written authorization.

#### *Financial Planning Fees*

##### *Fixed Fees*

Depending upon the complexity of the situation and the needs of the client, the rate for creating client financial plans is between \$1,500 and \$5,000. Fees are paid in advance, but never more than six months in advance, with the remainder due upon presentation of the plan. Fees that are charged in advance will be refunded based on the prorated amount of work completed at the point of termination. The fees are negotiable and the final fee schedule will be attached as Exhibit II of the Financial Planning Agreement. Clients may terminate their contracts without penalty within five business days of signing the advisory contract.

##### *Hourly Fees*

The hourly fee for these services is between \$175 and \$225/hour. The fees are negotiable and the final fee schedule will be attached as Exhibit II of the Financial Planning Agreement. Fees are paid in advance based on the estimated number of required hours, but never more than six months in advance, with the remainder due upon presentation of the plan. Fees that are charged in advance will be refunded based on the prorated amount of work completed at the point of termination. Clients may terminate their contracts without penalty within five business days of signing the advisory contract.

## **B. Payment of Fees**

### ***Payment of Investment Supervisory Fees***

Advisory fees are withdrawn directly from the client's accounts with client written authorization. Fees are paid quarterly in advance. Advisory fees may also be invoiced and billed directly to the client quarterly in advance via check. Clients may select the method in which they are billed.

### ***Payment of Financial Planning Fees***

Hourly Financial Planning fees are paid via check. Fees are paid in advance based on the estimated number of required hours, but never more than six months in advance, with the remainder due upon presentation of the plan. Fees that are charged in advance will be refunded based on the prorated amount of work completed at the point of termination. Clients may terminate their contracts without penalty within five business days of signing the advisory contract.

Fixed Financial Planning fees are paid via check. Fees are paid in advance, but never more than six months in advance, with the remainder due upon presentation of the plan. Fees that are charged in advance will be refunded based on the prorated amount of work completed at the point of termination. The fees are negotiable and the final fee schedule will be attached as Exhibit II of the Financial Planning Agreement. Clients may terminate their contracts without penalty within five business days of signing the advisory contract.

## **C. Clients Are Responsible For Third Party Fees**

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

## **D. Prepayment of Fees**

BFA collects fees in advance. Fees that are collected in advance will be refunded based on the prorated amount of work completed at the point of termination and the total days during the billing period. Fees will be returned within fourteen days to the client via check.

## **E. Outside Compensation For the Sale of Securities to Clients**

Neither BFA nor its supervised persons accept any compensation for the sale of securities or other investment products, including asset-based sales charges or services fees from the sale of mutual funds.



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

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

## **Item 7: Types of Clients**

BFA generally provides investment advice and/or management supervisory services to the following Types of Clients:

- ❖ Individuals
- ❖ High-Net-Worth Individuals
- ❖ Pension and Profit Sharing Plans
- ❖ Corporations and Other Businesses

### ***Minimum Account Size***

There is an account minimum, \$500,000, which may be waived by the investment advisor, based on the needs of the client and the complexity of the situation.

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

### **A. Methods of Analysis and Investment Strategies**

BFA's methods of analysis include charting analysis, fundamental analysis, technical analysis, and cyclical analysis.

**Charting analysis** involves the use of patterns in performance charts. BFA uses this technique to search for patterns used to help predict favorable conditions for buying and/or selling a security.

**Fundamental analysis** involves the analysis of financial statements, the general financial health of companies, and/or the analysis of management or competitive advantages.

**Technical analysis** involves the analysis of past market data; primarily price and volume.

**Cyclical analysis** involved the analysis of business cycles to find favorable conditions for buying and/or selling a security.

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

### **B. Material Risks Involved**

BFA uses Long Term Trading.

BFA utilizes investment strategies that are designed to capture market rates of both return and risk. Frequent trading, when done, can affect investment performance,

particularly through increased brokerage and other transaction costs and taxes. Short sales, margin transactions, and options writing generally hold greater risk and clients should be aware that there is a chance of material risk of loss using any of those strategies.

**Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.**

### **C. Risks of Specific Securities Utilized**

BFA generally seeks investment strategies that do not involve significant or unusual risk beyond that of the general domestic and/or international equity markets.

**Mutual Funds:** Investing in mutual funds carries the risk of capital loss and thus you may lose money investing in mutual funds. All mutual funds have costs that lower investment returns. They can be of bond “fixed income” nature (lower risk) or stock “equity” nature (mentioned above).

**Stocks & Exchange Traded Funds (ETF):** Investing in stocks & ETF's carries the risk of capital loss (sometimes up to a 100% loss in the case of a stock holding bankruptcy).

**Precious Metal ETFs** (Gold, Silver, Palladium Bullion backed “electronic shares” not physical metal): Investing in precious metal ETFs carries the risk of capital loss.

**Long term trading** is designed to capture market rates of both return and risk. Due to its nature, the long-term investment strategy can expose clients to various other types of risk that will typically surface at various intervals during the time the client owns the investments. These risks include but are not limited to inflation (purchasing power) risk, interest rate risk, economic risk, market risk, and political/regulatory risk.

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

## **Item 9: Disciplinary Information**

There are no legal or disciplinary events that are material to a client's or prospective client's evaluation of this advisory business or the integrity of our management.

## **Item 10: Other Financial Industry Activities and Affiliations**

### **A. Registration as a Broker/Dealer or Broker/Dealer Representative**

Neither BFA nor its representatives are registered as a broker/dealer or as representatives of a broker/dealer or have an application pending.

### **B. Registration as a Futures Commission Merchant, Commodity Pool Operator, or a Commodity Trading Advisor**

Neither BFA nor its representatives are registered as a Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading Advisor or have an application pending.

### **C. Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests**

Neither BFA nor its representatives have any material relationships to this advisory business that would present a possible conflict of interest.

### **D. Selection of Other Advisors or Managers and How This Adviser is Compensated for Those Selections**

BFA does not utilize nor select other advisors or third party managers. All assets are managed by BFA management.

## **Item 11: Code of Ethics, Participation in Transactions, Personal Trading**

### **A. Code of Ethics**

We have a written Code of Ethics that covers the following areas: Prohibited Purchases and Sales, Insider Trading, Personal Securities Transactions, Exempted Transactions, Prohibited Activities, Conflicts of Interest, Gifts and Entertainment, Confidentiality, Service on a Board of Directors, Compliance Procedures, Compliance with Laws and Regulations, Procedures and Reporting, Certification of Compliance, Reporting Violations, Compliance Officer Duties, Training and Education, Recordkeeping, Annual Review, and Sanctions. Clients may request a copy of our Code of Ethics from management.

### **B. Recommendations Involving Material Financial Interests**

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

### **C. Investing Personal Money in the Same Securities as Clients**

From time to time, representatives of BFA may buy or sell securities for themselves that they also recommend to clients. This may provide an opportunity for representatives of

BFA to buy or sell the same securities before or after recommending the same securities to clients resulting in representatives profiting off the recommendations they provide to clients. BFA will always document any transactions that could be construed as conflicts of interest and will always transact client business before their own when similar securities are being bought or sold.

#### **D. Trading Securities At/Around the Same Time as Clients' Securities**

From time to time, representatives of BFA may buy or sell securities for themselves at or around the same time as clients. This may provide an opportunity for representatives of BFA to buy or sell securities before or after recommending securities to clients resulting in representatives profiting off the recommendations they provide to clients. BFA will not trade non-mutual fund or non-ETF securities 5 days prior to or 5 days after trading the same security for clients.

### **Item 12: Brokerage Practices**

#### **A. Factors Used to Select Custodians and/or Broker/Dealers**

The Custodian will be chosen based on their relatively low transaction fees and access to mutual funds and ETFs. BFA will never charge a premium or commission on transactions, beyond the actual cost imposed by Custodian.

##### ***1. Research and Other Soft-Dollar Benefits***

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

##### ***2. Brokerage for Client Referrals***

BFA receives no referrals from a broker-dealer or third party in exchange for using that broker-dealer or third party.

### ***3. Clients Directing Which Broker/Dealer/Custodian to Use***

BFA allows clients to direct brokerage. BFA may be unable to achieve most favorable execution of client transactions if clients choose to direct brokerage. This may cost clients money because without the ability to direct brokerage BFA may not be able to aggregate orders to reduce transactions costs resulting in higher brokerage commissions and less favorable prices. Not all advisers require their clients to direct brokerage

#### **B. Aggregating (Block) Trading for Multiple Client Accounts**

BFA maintains the ability to block trade purchases across accounts but will rarely do so. While block trading may benefit clients by purchasing larger blocks in groups, we do not feel that the clients are at a disadvantage due to the best execution practices of our custodian.

## **Item 13: Reviews of Accounts**

#### **A. Frequency and Nature of Periodic Reviews and Who Makes Those Reviews**

Client accounts are reviewed at least quarterly only by Daniel Scott McLeod, President. Daniel Scott McLeod is the chief advisor and is instructed to review clients' accounts with regards to their investment policies and risk tolerance levels. All accounts at BFA are assigned to this reviewer.

All financial planning accounts are reviewed upon financial plan creation and plan delivery by Daniel Scott McLeod, President. There is only one level of review and that is the total review conducted to create the financial plan.

#### **B. Factors That Will Trigger a Non-Periodic Review of Client Accounts**

Reviews may be triggered by material market, economic or political events, or by changes in client's financial situations (such as retirement, termination of employment, physical move, or inheritance).

#### **C. Content and Frequency of Regular Reports Provided to Clients**

Each client will receive at least quarterly a written report detailing the clients account performance, which may come from the custodian.

Clients are provided a one-time financial plan concerning their financial situation. After the presentation of the plan, there are no further reports. Clients may request additional plans or reports for a fee.

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

### **A. Economic Benefits Provided by Third Parties for Advice Rendered to Clients (Includes Sales Awards or Other Prizes)**

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

### **B. Compensation to Non –Advisory Personnel for Client Referrals**

BFA does not directly or indirectly compensate any person who is not advisory personnel for client referrals.

## **Item 15: Custody**

BFA does not take custody of client accounts at any time. Custody of client's accounts is held primarily at the custodian. Clients will receive account statements from the custodian and should carefully review those statements. BFA will send invoices to the client at the same time client accounts are debited at the custodian.

## **Item 16: Investment Discretion**

For those client accounts where BFA provides ongoing supervision, BFA maintains discretionary authority over client accounts with respect to securities to be bought and sold and amount of securities to be bought and sold. Clients may not limit BFA's discretionary authority over the kinds and amounts of securities traded. All buying and selling of securities is explained to clients in detail before an advisory relationship has commenced. Discretionary Authority is given in the contract between BFA and the client as well as in the custodial agreement between the client and custodian.

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

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

## **Item 18: Financial Information**

### **A. Balance Sheet**

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

### **B. Financial Conditions Reasonably Likely to Impair Ability to Meet Contractual Commitments to Clients**

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

### **C. Bankruptcy Petitions in Previous Ten Years**

BFA has never been the subject of a bankruptcy petition in the last ten years.