

**Part 2A of Form ADV: *Firm Brochure***

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This brochure provides information about the qualifications and business practices of Eukles Asset Management, LLC ("EAM"). If you have any questions about the contents of this brochure, please contact us at (513) 977-4781 or [blysaght@euklesam.com](mailto:blysaght@euklesam.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority. Registration as an investment adviser does not imply a certain level of skill or training.

Additional information about EAM is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 156649.

## **Item 2. Material Changes**

The amount of assets under management on page 5 has been updated.

Item 10 has been updated to disclose the management personnel's affiliation with Eukles Wealth Management, a branch office of LPL Financial.

### Item 3. Table of Contents

Item	Section	Page
1.	Cover Page	1
2.	Material Changes	2
3.	Table of Contents	3
4.	Advisory Business	4
5.	Fees and Compensation	5
6.	Performance-Based Fees and Side-by-Side Management	8
7.	Types of Clients	9
8.	Methods of Analysis, Investment Strategies and Risk of Loss	9
9.	Disciplinary Information	12
10.	Other Financial Industry Activities and Affiliations	12
11.	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	13
12.	Brokerage Practices	15
13.	Review of Accounts	17
14.	Client Referrals and Other Compensation	18
15.	Custody	18
16.	Investment Discretion	19
17.	Voting Client Securities	19
18.	Financial Information	20
19.	Requirements for State-Registered Advisers	20

## **Item 4. Advisory Business**

EAM is an investment adviser with its principal place of business located in Ohio.

Timothy J. Lysaght, Member, and Steven R. Jung, Member, are the firm's principal owners (i.e., controlling 25% or more of EAM).

EAM offers Model Portfolio Management services to its advisory clients. Please see the disclosure below in this Item for additional information regarding this service.

### MODEL PORTFOLIO MANAGEMENT

Our firm provides portfolio management services to clients using model asset allocation portfolios. Each of our model portfolios is designed to meet a particular investment goal. We manage these advisory accounts on a discretionary basis only. Account supervision is guided by the client's stated objectives (e.g., growth or a balance between growth and income), as well as tax considerations.

Through personal discussions with the client in which the client's goals and objectives are established, we determine which of our model portfolios is suitable to the client's circumstances. Once we determine the suitability of the portfolio, the portfolio is managed based on the portfolio's goal, rather than on each client's individual needs. Clients, nevertheless, have the opportunity to place reasonable restrictions on the types of investments to be held in their account. Clients retain individual ownership of all securities.

Our investment recommendations are not limited to any specific product or service offered by a broker dealer or insurance company and will generally include advice regarding the following securities: stocks (common and preferred), bonds, exchange-traded funds ("ETFs"), and options. Because some types of investments, such as options, involve certain additional degrees of risk, they will only be used when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability.

To ensure that our initial determination of an appropriate portfolio remains suitable and that the account continues to be managed in a manner consistent with the client's financial circumstances, we will:

- at least annually, contact each participating client to determine whether there have been any changes in the client's financial situation or investment objectives, and whether the client wishes to impose investment restrictions or modify existing restrictions;
- be reasonably available to consult with the client; and
- maintain client suitability information in each client's file.

Our portfolio management services are typically provided to clients through the Eukles Asset Management Strategic Wealth Management Wrap Fee Program (hereinafter "Program"). The Program is a "wrap fee" program sponsored by Eukles Asset Management, LLC. A wrap fee program is an advisory program under which a specified fee not based directly on transactions in a client's account is charged for both our advisory services and the execution of client transactions. We do, however, offer our portfolio management services outside of the Program on a non-wrap fee basis. For more information about our fees, please see our disclosure below at Item 5 of this Brochure.

We manage client portfolios wrap accounts in the same manner in which we manage client accounts employing similar investment strategies in non-wrap accounts (i.e., where clients pay for advisory and execution services separately).

#### AMOUNT OF MANAGED ASSETS

As of 2/3/2017, we are actively managing \$122,209,897.58 of clients' assets on a discretionary basis.

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

#### FEES FOR MODEL PORTFOLIO MANAGEMENT

EAM's portfolio management services in the Program are provided to clients in a "wrap account." A wrap account bundles all advisory, administrative and transaction charges into one asset-based fee. However, clients in this program have the option to have their accounts managed in a non-wrap/"unbundled" arrangement where clients pay advisory, administrative and transaction charges

separately. Our annual fee is based on the amount of assets under management with EAM and is charged as follows:

***Wrap Account***

<u>Assets Under Management</u>	<u>Annual Fee (%)</u>
0 to \$1,000,000	1.50%
\$1,000,001 to \$3,000,000	1.00%
\$3,000,001 to \$5,000,000	0.75%
\$5,000,001 to \$10,000,000	0.60%
Over \$10,000,000	0.50%

For example, if a client's account is valued at \$11,000,000, the annual fee would be calculated as follows:  $(\$1,000,000 \times 1.50\%) + (\$2,000,000 \times 1.00\%) + (\$2,000,000 \times 0.75\%) + (\$5,000,000 \times 0.60\%) + (\$1,000,000 \times 0.50\%)$

***Non-wrap Account***

<u>Assets Under Management</u>	<u>Annual Fee (%)</u>
0 to \$1,000,000	1.15%
\$1,000,001 to \$3,000,000	0.80%
\$3,000,001 to \$5,000,000	0.60%
\$5,000,001 to \$10,000,000	0.45%
Over \$10,000,000	0.35%

For example, if a client's account is valued at \$11,000,000, the annual fee would be calculated as follows:  $(\$1,000,000 \times 1.15\%) + (\$2,000,000 \times 0.80\%) + (\$2,000,000 \times 0.60\%) + (\$5,000,000 \times 0.45\%) + (\$1,000,000 \times 0.35\%)$

Our fees are assessed quarterly, in advance, at the beginning of each quarter. Thus, clients are charged  $\frac{1}{4}$  of their annual fee on the first day of each quarter. The fee is based upon the value (market value or fair market value in the absence of market value), of the client's account at the end of the previous three month period. Clients will be invoiced or have their fees debited from the account in accordance with client authorization.

A minimum of \$50,000 of assets under management is required to open a model portfolio management account with EAM. This minimum account size may be negotiable under certain circumstances. EAM may group certain related client accounts for the purposes of achieving the minimum account value requirement.

Once an account is accepted, there are no specific minimum account requirements for maintaining an account.

As disclosed above, clients participating in the Program pay an all inclusive “wrap fee” which includes charges for advisory services, custody, clearing, transaction execution and account reporting. Clients participating in this Program also agree to direct brokerage in their Program account(s) through LPL Financial, a FINRA-member broker dealer and an SEC-registered investment adviser. Therefore, in evaluating such an arrangement, a client should recognize that brokerage commissions for the execution of transactions in the client's account are not negotiated by EAM, and best execution may not be achieved.

Clients participating in the Program should also consider that, depending upon the level of the wrap fee charged, the amount of portfolio activity in the client's account, the value of custodial and other services which are provided under the arrangement, and other factors, the wrap fee may or may not exceed the aggregate cost of such services if they were to be provided separately and if EAM were free to negotiate commissions and seek best price and execution of transactions for the client's account.

Participants in the Program should also refer to our Wrap Fee Program Brochure (Part 2A Appendix 1 of Form ADV) for additional information regarding the fees charged in this program.

### **GENERAL INFORMATION**

***Advisory Fees in General:*** Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers for similar or lower fees.

***Negotiability of Fees:*** In certain circumstances, all fees may be negotiable. We may also group certain related client accounts for the purposes of determining the annualized fee. Further, discounts not generally available to our advisory clients may be offered to family members and friends of associated persons of our firm.

***Termination of the Advisory Relationship:*** A client agreement may be canceled at any time, by either party, for any reason upon receipt of 30 days written notice. As disclosed above, certain fees are paid in advance of services provided. Upon termination of any account, any prepaid, unearned fees will be promptly

refunded within 5-7 days. In calculating a client's reimbursement of fees, we will pro rate the reimbursement according to the number of days remaining in the billing period.

***Fund Fees:*** All fees paid to EAM for investment advisory services are separate and distinct from the fees and expenses charged by ETFs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in an ETF directly, without our services. In that case, the client would not receive the services provided by our firm which are designed, among other things, to assist the client in determining which fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

***Additional Fees and Expenses:*** In addition to our advisory fees, clients who do not participate in a wrap fee program will also be responsible for the fees and expenses charged by custodians and imposed by broker dealers. These expenses include: any transaction charges, fees for duplicate statements and transaction confirmations, and fees for electronic data feeds and reports. Please refer to the Item 12 of this Brochure for additional information.

***Limited Prepayment of Fees:*** Under no circumstances do we require or solicit payment of fees in excess of \$500 more than six months in advance of services rendered.

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

We do not charge performance-based fees (i.e., fees based on a share of capital gains on or capital appreciation of the assets of a client).



## **Item 7. Types of Clients**

EAM provides its advisory services, where appropriate, to individuals, trusts, estates, charitable organizations, pension and profit sharing plans, corporations and other business entities.

As previously disclosed in Item 5, our firm has established an initial minimum account requirement. For a more detailed understanding of this requirement, please review the disclosures provided in each applicable service.

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

### METHODS OF ANALYSIS

We use the following methods of analysis in formulating our investment advice and/or managing client assets:

***Fundamental Analysis:*** We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell).

Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

***Asset Allocation:*** In addition to focusing on the selection of securities, we also attempt to identify an appropriate ratio of equity securities, fixed income, and cash suitable to our model portfolios' investment goals and risk profile.

A risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of securities, fixed income, and cash will change over time due to stock and market movements and, if not corrected, will no longer be appropriate for the client's goals.

**ETF analysis:** We look at the experience and track record of the manager of the ETF in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We also look at the underlying assets in an ETF in an attempt to determine if there is significant overlap with the other investments held in the client's portfolio. We also monitor the ETFs in an attempt to determine if they are continuing to follow their stated investment strategy.

A risk of ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in an ETF, managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the ETF, which could make the holding(s) less suitable for the client's portfolio.

**Risks for all forms of analysis:** Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

## INVESTMENT STRATEGIES

We use the following strategies in managing our model portfolios:

**Long-term purchases:** We purchase securities with the idea of holding them in the client's account for a year or longer. Typically we employ this strategy when:

- we believe the securities to be currently undervalued, and/or
- we want exposure to a particular asset class over time, regardless of the current projection for this class.

A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantage of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

**Options<sup>1</sup>:** We will also use “options” as an investment strategy. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an asset (such as a share of stock) at a specific price on or before a certain date. An option, just like a stock or bond, is a security. An option is also a derivative, because it derives its value from an underlying asset.

The two types of options are “calls” and “puts.” A call gives a client the right to buy an asset at a certain price within a specific period of time. We will buy a call if we have determined that the stock will increase substantially before the option expires. A put gives a client the right to sell an asset at a certain price within a specific period of time. We will buy a put if we have determined that the price of the stock will fall before the option expires.

We may use options to “hedge” a purchase of the underlying security; in other words, we may use an option purchase to limit the potential upside and downside of a security in our client’s portfolios.

We also may use “covered calls”, in which we sell an option on a security held in our client’s portfolios. In this strategy, the client receives a fee for making the option available, and the person purchasing the option has the right to buy the security from the client at an agreed-upon price. A risk of covered calls is that the option buyer does not have to exercise the option, so that if we want to sell the stock prior to the end of the option agreement, we have to buy the option back from the option buyer, for a possible loss.

In addition, we may use a “spreading strategy”, in which we purchase two or more option contracts (for example, a call option that you buy and a call option that you sell) for the same underlying security. This effectively puts you on both sides of the market, but with the ability to vary price, time and other factors. A risk of spreading strategies is that the ability to fully profit from a price swing is limited.

Further, we may sell out-of-the-money put options to generate income. The risk in this strategy is that the stock price will decline below the put option’s strike price, causing the position to be covered at a loss. However, if the stock price closes above the put option’s strike price at expiration, our client keeps the premium received for taking on the risk.

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<sup>1</sup> For more information regarding options, you may refer to The Options Industry Council website: <http://www.888options.com/basics/default.jsp>

**Margin:** We do not use margin transactions as an investment strategy. However, we do recommend, where appropriate, that a client establish a margin account with the client's broker. In this situation, if we are selling one stock and purchasing another stock with the proceeds, we can use the margin account to make certain that you are not left out of the purchase if we have difficulty completing the sale.

## **RISK OF LOSS**

Securities investments are not guaranteed and you may lose money on your investments. We ask that you work with us to help us understand your tolerance for risk.

### **Item 9. Disciplinary Information**

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

While employed by Morgan Keegan Tim Lysaght and Steve Jung's client Raymond and Lana Makin were injured by the demise of the RMK Select Intermediate Bond Fund. The fund was promoted by Morgan Keegan as a low risk bond fund for income oriented investors. Lysaght and Jung used the Morning Star five star fund, managed by Barron's manager of the year, James Kelso, as the fixed income component of an asset allocation model created by Morgan Keegan in a product called Goal Track. The fund posted unprecedented losses in the bond market demise and the Makin's pursued a remedy from Morgan Keegan. Morgan Keegan settled with the claimants on February 22, 2011 without implication or participation by Lysaght or Jung.

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

Certain management persons of EAM are separately licensed as registered representatives of LPL Financial, a FINRA-member broker dealer. Those licensed representatives include Tim Lysaght and Steve Jung. Tim Lysaght

serves as the supervisor of the branch. The branch does business as Eukles Wealth Management, a branch of LPL Financial.

The management's affiliation with LPL Financial may pose a potential conflict of interest when determining whether Eukles Asset Management has fulfilled its obligation to seek best execution for client accounts. Clients of Eukles Asset Management are not required to use LPL Financial as broker/dealer or custodian.

These individuals may also be insurance agents for one or more insurance companies. As such, they, in their separate capacities as registered representatives and/or insurance agents, will be able to effect securities transactions and/or purchase insurance and insurance-related investment products for clients, for which they will receive separate and additional compensation. EAM clients are not under any obligation to engage these individuals when considering implementation of investment recommendations. The implementation of any or all recommendations is solely at the discretion of the client.

However, neither EAM nor its management persons or employees will receive commissions, service fees or other compensation from the sale of securities or insurance products during the provision of the advisory services described above at Item 4. The sole compensation earned by EAM and its management persons or employees from the provision of advisory services is disclosed above in Item 5.

## **Item 11. Code of Ethics, Participation in Client Transactions and Personal Trading**

### **CODE OF ETHICS**

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws. EAM and our personnel owe a duty of loyalty, fairness and good faith to our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics, but to the general principles that guide the Code.

EAM's Code of Ethics includes the firm's policy prohibiting the use of material non-public information. While we do not believe that we have any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity.

Our Code of Ethics requires that anyone associated with this advisory practice with access to advisory recommendations, client holdings or other specified information provide annual securities holdings reports and quarterly transaction reports of all reportable transactions to the firm's designated officer. These reports are made available to an appropriate regulatory agency upon request and will be reviewed on a regular basis by the Chief Compliance Officer of EAM, or his designee, to supervise compliance with the firm's Code of Ethics. Additionally, our Code of Ethics also requires prior firm approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering ("IPO").

Our Code also contains oversight, enforcement and recordkeeping provisions. A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email to [blysaght@euklesam.com](mailto:blysaght@euklesam.com), or by telephone at (513) 977-4799.

#### PERSONAL TRADING POLICY

Our firm and the individuals associated with our firm may buy or sell securities for their personal accounts that are identical to or different from those recommended to our clients. In addition, the firm and these individuals may have an interest or position in a security which may also be recommended to a client. As these situations represent actual or potential conflicts of interest with our clients, we have taken the following steps to assure that (i) the personal securities transactions of our employees will not interfere with making and implementing decisions in the best interest of our advisory clients, (ii) our firm complies with its regulatory obligations, and (iii) we provide our clients with full and fair disclosure of such conflicts of interest:

1. Prohibiting the firm, its owners and employees from:
  - a. Putting their own interest above the interest of an advisory client.
  - b. Buying or selling securities for their personal portfolio(s) where their decision is a result of information received as a result of his or her employment unless the information is also available to the

- investing public.
- c. Purchasing or selling any security prior to a transaction(s) in the same securities being implemented for an advisory account.
  2. We maintain a list of all reportable securities holdings for our firm and anyone associated with this advisory practice that has access to advisory recommendations ("access person"). These holdings are reviewed on a regular basis by our firm's Chief Compliance Officer or his/her designee to ensure compliance with our personal trading policy.
  3. Our firm requires prior approval for any IPO or private placement investments by access persons of the firm.
  4. We have established procedures for the maintenance of all required books and records.
  5. We require all of our principals and employees to act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
  6. We provide each supervised person of our firm a copy of the Code of Ethics on an annual basis.
  7. We have established policies requiring the reporting of Code of Ethics violations to our Chief Compliance Officer.
  8. Any individual who violates any of the above restrictions may be subject to termination.

#### AGGREGATION OF EMPLOYEE TRADES WITH CLIENT TRANSACTIONS

We may aggregate our employee trades with client transactions where possible and when compliant with our duty to seek best execution for our clients. In these instances, participating clients will receive an average share price. In the instances where there is a partial fill of a particular batched order, we will allocate all purchases pro-rata, with each account paying the average price. Our employee accounts will be included in the pro-rata allocation.

Please review the disclosures in Item 12 for a more detailed understanding of the firm's trade aggregation policies and procedures.

#### PRINCIPAL TRANSACTIONS

EAM and individuals associated with our firm are prohibited from engaging in principal transactions. A principal transaction is a transaction where EAM or a person associated with EAM, as principal, buys securities from, or sells securities to, an EAM client.

## **Item 12. Brokerage Practices**

### DIRECTED BROKERAGE

Our firm does not accept the discretionary authority to determine the broker-dealer to be used or the commission rates to be paid. Clients must direct EAM as to the broker-dealer to be used to manage their accounts. By recommending the Eukles Asset Management Strategic Wealth Management Wrap Fee Program to clients, EAM is recommending the brokerage services of LPL Financial. Clients who decide to participate in this program are also choosing the brokerage services of LPL Financial.

In addition, since certain investment adviser representatives of EAM are also separately registered as representatives of LPL Financial, LPL Financial is required to supervise their securities trading activities. Clients may request that brokerage transactions be directed to a particular broker or dealer other than LPL Financial. However, if EAM believes that the use of that broker dealer would hinder it in meeting its supervisory obligations, EAM will not be able to accept the account. Further, we reserve the right to decline acceptance of any client account for which the client directs the use of a broker if we believe that this choice would hinder our fiduciary duty to the client and/or our ability to service the account.

In directing the use of LPL Financial or any other broker-dealer it should be understood that EAM will not have authority to negotiate commissions or to necessarily obtain volume discounts, and best execution may not be achieved. Clients should note, while EAM has a reasonable belief that LPL Financial is able to obtain best execution and competitive prices, EAM will not be independently seeking best execution price capability through other broker dealers.

### SUMMARY OF TRADE AGGREGATION POLICY

EAM will aggregate (or block) client trades where possible and when advantageous to clients. This blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts. Block trading may allow us to execute equity trades in a timelier, more equitable manner, at an average share price. EAM will typically aggregate trades among



clients whose accounts can be traded at LPL Financial. EAM's block trading policy and procedures are as follows:

1. Transactions for any client account may not be aggregated for execution if the practice is prohibited by or inconsistent with the client's advisory agreement with EAM, or our firm's order allocation policy.
2. EAM's portfolio manager must determine that the purchase or sale of the particular security involved is appropriate for the client and consistent with the client's investment objectives and with any investment guidelines or restrictions applicable to the client's account.
3. The portfolio manager must reasonably believe that the order aggregation will benefit, and will enable EAM to seek best execution for each client participating in the aggregated order. This requires a good faith judgment at the time the order is placed for the execution. It does not mean that the determination made in advance of the transaction must always prove to have been correct in the light of a "20-20 hindsight" perspective. Best execution includes the duty to seek the best quality of execution, as well as the best net price.
4. Prior to entry of an aggregated order, a written order ticket must be completed which identifies each client account participating in the order and the proposed allocation of the order, upon completion, to those clients.
5. If the order cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day must be allocated pro rata among the participating client accounts in accordance with the initial order ticket or other written statement of allocation. However, adjustments to this pro rata allocation may be made to participating client accounts in accordance with the initial order ticket or other written statement of allocation. Furthermore, adjustments to this pro rata allocation may be made to avoid having odd amounts of shares held in any client account, or to avoid excessive ticket charges in smaller accounts.
6. Generally, each client that participates in the aggregated order must do so at the average price for all separate transactions made to fill the order, and must equitably share in the commissions and transaction costs. Transaction costs may be charged as a fixed, per-trade fee or a fee based on the number of shares traded for each client (depending upon the individual client's agreement with the applicable custodian/broker).
7. If the order will be allocated in a manner other than that stated in the initial statement of allocation, a written explanation of the change must be

- provided to and approved by the Chief Compliance Officer no later than the morning following the execution of the aggregate trade.
8. EAM's client account records separately reflect, for each account in which the aggregated transaction occurred, the securities which are held by, and bought and sold for, that account.
  9. Funds and securities for aggregated orders are clearly identified on EAM's records and to the broker-dealers or other intermediaries handling the transactions, by the appropriate account numbers for each participating client.
  10. No client or account will be favored over another.

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

#### REVIEWS

While the underlying securities within Model Portfolio Management Services accounts are continually monitored, these accounts are reviewed at least quarterly. Accounts are reviewed in the context of the investment objectives and guidelines of each model portfolio as well as any investment restrictions provided by the client. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment.

These accounts are reviewed by: Timothy J. Lysaght, Member, Steven R. Jung, Member, and Brian Lysaght, Chief Executive Officer, Chief Investment Officer and Chief Compliance Officer.

#### REPORTS

In addition to the monthly statements and confirmations of transactions that clients receive from their broker-dealer/custodians, we provide quarterly reports summarizing account performance.

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

It is our policy not to engage solicitors or to compensate anyone for referring potential clients to our firm.

It is also our policy not to accept or allow our related persons to accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services we provide to our clients.

## **Item 15. Custody**

We previously disclosed in the Fees Item 5 of this Brochure that our firm directly debits advisory fees from client accounts. As part of this billing process, the client's custodian is advised of the amount of the fee to be deducted from that client's account. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period. Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact us directly if they believe that there may be an error in their statement.

In addition to the periodic statements that clients receive directly from their custodians, we also send account statements directly to our clients on a quarterly basis. We urge our clients to carefully compare the information provided on these statements to ensure that all account transactions, holdings and values are correct and current.

## **Item 16. Investment Discretion**

Clients may hire us to provide discretionary portfolio management services. Where we have been provided investment discretion, we place trades in a client's account without obtaining specific client permission prior to each trade. Our discretionary authority includes the ability to do the following without contacting the client:

- Determine the security to buy or sell; and/or
- Determine the amount of the security to buy or sell.

Clients give us discretionary authority when they sign a discretionary advisory agreement with our firm, and may limit this authority by giving us written

instructions. Clients may also change/amend such limitations by once again providing us with written instructions.

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

EAM does not vote client securities. Clients maintain exclusive responsibility for: (i) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (ii) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets. Therefore, EAM and/or the client shall instruct each custodian of the applicable assets to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets.

EAM also does not typically provide advice to clients regarding the clients' voting of securities.

### **Item 18. Financial Information**

Under no circumstances do we require or solicit payment of fees in excess of \$500 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

As an advisory firm that maintains discretionary authority for client accounts, we are also required to disclose any financial condition that is reasonable likely to impair our ability to meet our contractual obligations. EAM has no additional financial circumstances to report and has never been the subject of a bankruptcy petition.

### **Item 19. Requirements for State-Registered Advisers**

Timothy J. Lysaght, Member, Steven R. Jung, Member, and Brian L. Lysaght, Chief Executive Officer, Chief Investment Officer and Chief Compliance Officer, are the principal executive officers and management persons of EAM.

Information about their formal education and business background is provided in each of their Brochure Supplements.

As disclosed above in Item 6, neither EAM nor its supervised persons charge performance based fees for investment advisory services.

We are required to disclose all material facts regarding certain legal or disciplinary events pertaining to arbitration awards or other civil, regulatory or administrative proceedings in which our firm or management personnel were found liable or against whom an award was granted. Our firm and our management personnel have no applicable reportable disciplinary events to disclose.

While employed by Morgan Keegan Tim Lysaght and Steve Jung's client Raymond and Lana Makin were injured by the demise of the RMK Select Intermediate Bond Fund. The fund was promoted by Morgan Keegan as a low risk bond fund for income oriented investors. Lysaght and Jung used the Morning Star five star fund, managed by Barron's manager of the year, James Kelso, as the fixed income component of an asset allocation model created by Morgan Keegan in a product called Goal Track. The fund posted unprecedented losses in the bond market demise and the Makin's pursued a remedy from Morgan Keegan. Morgan Keegan settled with the claimants on February 22, 2011 without implication or participation by Lysaght or Jung.

Neither EAM nor our management personnel have a relationship or arrangement with an issuer of securities.