

# DOUGHERTY & COMPANY LLC

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September 25, 2018

This Brochure provides information about the qualifications and business practices of Dougherty & Company LLC (“D&Co”). If you have any questions about the contents of this Brochure, please contact us by telephone at 800-328-4000 or via email at [contactus@doughertymarkets.com](mailto:contactus@doughertymarkets.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.

D&Co is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about D&Co also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). D&Co’s CRD number is 7477.

## **MATERIAL CHANGES**

There have been no material changes to this Brochure since the last annual update dated March 29, 2018.

This current update to this Brochure, dated September 25, 2018, contains changes to ticket fees and information about mutual fund commissions which are not material changes.

Currently, our Brochure may be requested by contacting Jeffrey Jacobson, Executive Vice President at 612-376-4150 or [jjacobson@doughertymarkets.com](mailto:jjacobson@doughertymarkets.com). Our Brochure is also available on our web site [www.doughertymarkets.com](http://www.doughertymarkets.com), also free of charge.

Additional information about D&Co is also available via the SEC's web site at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with D&Co who are registered, or are required to be registered, as investment adviser representatives of D&Co.

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## ADVISORY BUSINESS

Dougherty & Company LLC (“D&Co”) has been in business as a broker dealer since 1977. D&Co is an SEC-registered Investment Adviser.

D&Co is wholly owned by Dougherty Financial Group LLC (“DFG”). The principal indirect owners of D&Co are the owners of DFG. The majority owner of DFG is Michael Dougherty.

D&Co offers two separate services to its clients:

- Referral to non-affiliated investment advisers (Outside Managers or “WRAP Program” sponsors)
- Fee-Based services

As of December 31, 2017, D&Co manages \$172,088,496 in assets on a non-discretionary basis.

### OUTSIDE MANAGERS (WRAP)

#### *Envestnet*

D&Co provides advisory services through Envestnet Asset Management, Inc. (“Envestnet”), an unaffiliated investment management firm.

Envestnet provides D&Co and its clients with a range of investment advisory services through its Programs, including Separately Managed Accounts (“SMA”), Unified Managed Accounts (“UMA”), ETF and other Asset Allocation Portfolios, and Guided Portfolios.

D&Co may use Envestnet’s advisory service tools, whereby Envestnet provides only administrative and technology services. D&Co determines which services and Programs of Envestnet to utilize with its clients and may utilize the services of other third-party services providers in conjunction with the Programs.

D&Co and the client compile pertinent financial and demographic information to determine the Program(s) and, if appropriate, the Manager(s) that will seek to meet the client’s goals and objectives. Utilizing Envestnet tools, D&Co seeks to allocate the client’s assets among the different options in the Program and determine the suitability of the asset allocation and investment options for the client, based on the client’s needs and objectives, investment time horizon, risk tolerance and any other pertinent factors. D&Co performs due diligence regarding the Managers in the Programs selected by clients.

Envestnet and selected Managers will have full discretion over the client’s account. Envestnet will be responsible for building the Programs, including Manager selection, day to day trading, rebalancing and reconciling the accounts.

Each client will receive the Envestnet Asset Management brochure and Appendix to the brochure (the Wrap Fee Program brochure), which discuss the Envestnet Programs in detail, in addition to the D&Co brochure.

## FEE-BASED SERVICES

### *Dougherty Director*

D&Co will provide fee-based services to clients on a non-discretionary basis where the client is charged a fee in lieu of commissions plus ticket charges that are affiliated with trades. The program is called Dougherty Director.

D&Co will consider the customer's personal financial information when making recommendations to the client regarding purchases and sales of securities. For non-discretionary accounts, investment decisions will be made by the client, as D&Co has no discretionary authority to effect securities transactions under this type of arrangement.

### *Financial Planning*

As a service to clients, some representatives will provide financial planning by looking at your financial situation based on information you provide to us. Please note this may provide access to information unrelated to your brokerage or advisory account at D&Co. Also note any recommendation provided does not constitute accounting, legal or tax advice. Financial planning may be done with the use of software.

This service is provided to Broker-Dealer clients. Any trades that may result due to the financial plan are done on a non-discretionary basis. These trades will result in additional brokerage commissions and/or fees. Certain securities may result in higher fees and commissions.

## SOLICITORS

D&Co may solicit clients for investment advisers that provide services that D&Co may choose not to provide, such as market timing services, and some consulting services such as assistance with investment policies, selection criteria, or portfolio monitoring. In each such case, a separate solicitor's disclosure document prepared by the investment adviser providing such services will describe the relationship, including any fee sharing with D&Co. The client will receive a disclosure acknowledgement of such arrangement.

## INVESTMENT MANAGERS

D&Co may recommend arrangements with investment advisers that provide discretionary investment supervisory services. Any reports other than brokerage reports received by the clients are prepared by the adviser and are not verified by D&Co. Any minimum account size requirements are those of the adviser. D&Co will receive its usual commissions on trades directed to D&Co by the client, if any.

## FEES AND COMPENSATION

All fees are deducted from accounts versus being invoiced.

### OUTSIDE MANAGERS (WRAP)

#### *Envestnet*

Clients in the Programs pay a program fee (each, a “Program Fee”) from which Envestnet pays the Sub-Managers, Model Providers and the account administration fee. Depending on the services utilized by D&Co, the Program Fee also includes investment management services comprised of client profiling assistance, strategic asset allocation assistance, style allocation assistance, research and evaluation of Approved investment strategies and Funds, account performance calculations, account rebalancing, account reporting, account billing administration and other operational and administrative services. However, clients whose advisors perform or utilize a third-party to perform certain of these services listed above pay a lower Program Fee.

Certain fees are not included in the Program Fee, the most significant of which is the fee charged by D&Co which is discussed on page 7. Even though the client is utilizing custodial asset based pricing, certain fees charged by a broker or custodian may also be assessed (described more fully in below in “Other Issues Relating to Fees”). The Program Fees shown below include assumed brokerage, clearing and custody fees based on a percentage of client’s assets held in the Program, but do not include assume fees charged by D&Co. For certain custodial relationships, Envestnet is able to present the asset-based fee as part of the Client’s fee schedule in the client agreement. To the extent that such fees are not included in the fee schedule, the client will be so informed in writing.

The standard fee schedules for Envestnet’s Programs are as follows and depend upon the Program selected. Lower fees may be separately negotiated:

SMA Portfolios						
Amount	Equity/Balanced SMA Portfolios*	Fixed Income SMA Portfolios*	Funds**	PMC Liquid Alternatives	PMC Quantitative Portfolios	Alpha Hedge Portfolios
First \$250,000	0.50% - 1.81%	0.50% - 1.50%	0.27% - 0.69%	0.45% - 0.75%	0.25% - 0.55%	1.75%
Next \$250,000	0.50% - 1.56%	0.50% - 1.31%	0.27% - 0.50%	0.45% - 0.63%	0.25% - 0.55%	1.75%
Next \$500,000	0.50% - 1.50%	0.50% - 1.25%	0.25% - 0.41%	0.45% - 0.63%	0.25% - 0.55%	1.75%
Next \$1,000,000	0.50% - 1.36%	0.50% - 1.21%	0.23% - 0.38%	0.45% - 0.63%	0.25% - 0.55%	1.75%
Next \$3,000,000	0.50% - 1.26%	0.50% - 1.20%	0.23% - 0.36%	0.45% - 0.63%	0.25% - 0.55%	1.75%
Over \$5,000,000	0.50% - 1.26%	0.50% - 1.20%	0.23% - 0.35%	0.45% - 0.63%	0.25% - 0.55%	1.75%

\* The fee charged depends on the manager(s) selected. Fees are calculated on a per account basis. Mutual funds, ETFs and alternative investments charge their own fees for investing the pool of assets in the respective investment vehicle. Please see the prospectus or related disclosure document for information regarding these fees.

\*\* Envestnet or its affiliates do not typically receive 12b-1 fees from mutual funds in which clients invest. Any fees inadvertently received shall be returned to the fund company.

Asset Allocation Programs				
Amount	Foundation Portfolios	MFS	PMC Strategic ETF Solutions	Third Party Fund Strategist
First \$250,000	0.10% - 0.25%	0.20% - 0.81%	0.19% - 1.00%	0.19% - 0.94%
Next \$250,000	0.10% - 0.25%	0.20% - 0.63%	0.19% - 0.81%	0.19% - 0.75%
Next \$500,000	0.10% - 0.25%	0.20% - 0.56%	0.19% - 0.76%	0.19% - 0.66%
Next \$1,000,000	0.10% - 0.25%	0.20% - 0.46%	0.19% - 0.73%	0.19% - 0.59%
Next \$3,000,000	0.10% - 0.25%	0.20% - 0.39%	0.19% - 0.70%	0.19% - 0.51%
Over \$5,000,000	0.10% - 0.25%	0.20% - 0.38%	0.19% - 0.69%	0.19% - 0.50%

\* The fee charged depends on the manager(s) selected. Fees are calculated on a per account basis. Mutual funds, ETFs and alternative investments charge their own fees for investing the pool of assets in the respective investment vehicle. Please see the prospectus or related disclosure document for information regarding these fees.

\*\* Envestnet or its affiliates do not typically receive 12b-1 fees from mutual funds in which clients invest. Any fees inadvertently received shall be returned to the fund company.

Multi-Style Accounts		
Amount	Unified Managed Accounts (UMA)*	PMC Guided Portfolios
First \$250,000	0.25% - 0.88%	.065% - 1.56%
Next \$250,000	0.25% - 0.63%	0.65% - 1.31%
Next \$500,000	0.25% - 0.56%	0.65% - 1.19%
Next \$1,000,000	0.25% - 0.49%	0.65% - 1.05%
Next \$3,000,000	0.25% - 0.44%	0.65% - 0.91%
Over \$5,000,000	0.25% - 0.41%	0.65% - 0.91%

\* Add an additional 0.35% - 0.60% for each Third Party Model used in the UMA portfolio. However, certain Third-Party Models may have lower or higher fees.

\*\* Envestnet or its affiliates do not typically receive 12b-1 fees from mutual funds in which clients invest. Any fees inadvertently received shall be returned to the fund company.

## Termination

The client agreement terms and conditions for each Program contain termination provisions. An agreement may be canceled by either party at any time, for any reason, upon receipt of 30 days prior written notice. Clients will receive a prorated refund of any pre-paid quarterly program fee, based upon the number of days remaining in the quarter after the termination date. Clients are not charged a liquidation fee if securities are to be delivered in-kind, otherwise certain commissions and/or fees may be charged by the broker-dealer liquidating security positions.

## D&Co's Services and Fees

The Program Fee does not cover D&Co's services. The services D&Co provides are discussed on page 1 of this Brochure.

The client pays D&Co a single, all-inclusive fee (“Advisory Fee”) which is charged quarterly in advance and is based on a percentage of assets under management as of the end of the previous calendar quarter. The fee may be negotiable.

The fee for the partial calendar quarter will be based on the inception date, the time remaining in the quarter and the inception value. The inception date is the first date the completed contract and any other required documents are received by D&Co and funds are on deposit. Inception value is the value of assets in the account based on the closing prices the day before the inception date.

For each succeeding calendar quarter, a quarterly fee shall be payable to D&Co within 30 days after the last business day of the prior quarter based on the value of account assets on the last business day of the previous quarter.

The fee will not be adjusted for appreciation or depreciation of account assets during any calendar quarter.

The Annual fee is based on assets under management:

Asset Value	Total Fee
First \$250,000	Up to 2.5%
Next \$250,000	Up to 2.0%
Over \$500,000	Up to 1.5%

#### Other Issues Relating to Fees

The cost of investment advisory services provided through the Envestnet Programs may be more or less than the cost of purchasing similar services separately. Among the factors impacting the relative cost of the program to a particular client include the size of the account; the type of account (i.e., equity or fixed income); the size of the assets devoted to a particular strategy; and the managers selected.

In some cases, advisors who recommend the Programs to their clients may receive compensation from Envestnet as a result of their clients’ participation in the programs. This compensation may be more than what the advisor would receive if the client participated in other programs or paid separately for investment advice, brokerage and other services. Such individuals may therefore have a financial incentive to recommend the Program over other programs or services. While this fee may be paid from Program Fees collected by Envestnet, the Program Fees have not been increased to cover fees paid to those advisors.

The Program Fee does not cover certain charges associated with securities transactions in clients’ accounts, including: (i) dealer markups, markdowns or spreads charged on transactions in over-the counter securities; (ii) costs relating to trading in certain foreign securities; (iii) the internal charges and fees that may be imposed by any Funds, (such as fund operating expenses, management fees, redemption fees, 12b-1 fees and other fees and expenses. Further information regarding charges and fees assessed by Funds may be found in the appropriate prospectus or offering document) or other regulatory fees; (iv) brokerage commissions or other charges imposed by broker-dealers or entities other than the custodian if and when trades are cleared by another broker-dealer; (v) the charge to carry tax lot information on transferred mutual funds or other investment vehicles, postage and handling charges, returned check charges, transfer taxes; stock exchange fees or other fees mandated by law, and (vi) any brokerage commissions or other charges, including contingent deferred sales charges (“CDSC”), imposed upon the liquidation of “in-kind assets” that are transferred into the Program. With respect to this latter type of charge, Envestnet may liquidate such assets transferred into a Program in its sole discretion. Clients should thus be aware that if they transfer in-kind assets into a Program, Envestnet may liquidate such assets immediately or at a future point in time and clients may incur a brokerage commission or other charge, including a CDSC. Clients also may be subject to taxes when Envestnet



liquidates such assets. Accordingly, Clients should consult with their financial advisor and tax consultant before transferring in-kind assets into a Program.

In addition to the redemption fees described above, a client may incur redemption fees, when the portfolio manager to an investment strategy determines that it is in the client's overall interest, in conjunction with the stated goals of the investment strategy, to divest from certain Funds prior to the expiration of the minimum holding period of the Funds. Some mutual funds assess redemption fees to investors upon the short-term sale of its funds. Depending on the particular mutual fund, this may include sales for rebalancing purposes. Please see the prospectus for the specific mutual fund for detailed information regarding such fees.

The Program Fee does not cover certain custodial fees that may be charged to clients by the custodian. Clients also may be charged for specific account services, such as ACAT transfers, electronic fund and wire transfer charges, and for other optional services elected by clients. Accounts may be subject to transaction-based ticket charges assessed by the custodian for the purchase of certain mutual funds. Similarly, the Program Fee does not cover certain non-brokerage-related fees such as individual retirement account ("IRA") trustee or custodian fees and tax-qualified retirement plan account fees and annual and termination fees for retirement accounts (such as IRAs).

#### *FEE-BASED SERVICES*

##### *Dougherty Director*

The client pays a single, all-inclusive fee which is charged quarterly in advance and is based on a percentage of assets under management as of the end of the previous calendar quarter. The fee may be negotiable.

A lower cost account may be available, such as paying for services individually (i.e., commissions).

The fee for the partial calendar quarter will be based on the inception date, the time remaining in the quarter and the inception value. The inception date is the first date the completed contract and any other required documents are received by D&Co and funds are on deposit. Inception value is the value of assets in the account based on the closing prices the day before the inception date.

For each succeeding calendar quarter, a quarterly fee shall be payable to D&Co within 30 days after the last business day of the prior quarter based on the value of account assets on the last business day of the previous quarter.

Fees will not be adjusted for appreciation or depreciation of account assets during any calendar quarter.

Annual fee is based on assets under management:

Asset Value	Total Fee
First \$250,000	Up to 2.5%
Next \$250,000	Up to 2.0%
Over \$500,000	Up to 1.5%

Minimum annual fee is \$250.

Ticket charges are as follows:

\$ 0 for Eligible Mutual Fund Trades  
\$11 - \$21 for Non-Eligible Mutual Fund Trades  
\$ 9 for Equity Trades  
\$19 for International Equity Trades  
\$15 for Fixed Income Trades  
\$25 for Fixed Income New Issues  
\$14 for Option Trades, plus .75/Contract

Ticket charge fees are subject to change and are billed on a monthly basis in arrears.

Minimum account size is \$25,000 which may be waived at the sole discretion of D&Co.

The fee does not cover the annual fee that National Financial Services LLC (“NFS”) charges IRA accounts or certain other retirement plans; however, NFS may, in its discretion, agree to waive such annual fee upon request by a client.

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

D&Co does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client) in our Envestnet or Dougherty Director programs.

## **TYPES OF CLIENTS**

D&Co provides portfolio management services to individuals, high net worth individuals, charitable organizations and corporations. Account minimums will vary based upon the program selected and the requirements of any sub-advisors within that particular program.

## **METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

D&Co utilizes the services of third-party asset allocation tools and databases to monitor and review the investment options available in our programs. Generally, the client completes a questionnaire, which provides the framework for the selection of investment vehicles. Clients are notified that investing in securities involves risk of loss that they should be prepared to bear.

Strategies selected are based on individual client objectives for strategies such as all-cap, small-cap, mid-cap, large-cap. Firms that the third party managers use to execute trades for their strategies is not controlled or even known by D&Co.

## **DISCIPLINARY INFORMATION**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of D&Co or the integrity of our Management.

All of the disclosures on D&Co’s Form ADV pertain to its broker dealer and investment banking activities.

On November 28, 2016, without admitting or denying the findings, the firm consented to the sanctions and to the entry of findings that the firm did not adequately supervise a registered representative who (a) placed trades for two customers without first contacting them, and (b) made unsuitable recommendations. The firm was censured, fined \$140,000, and required to pay \$78,910 in restitution to a customer. The firm paid the fine and restitution.

On October 18, 2016, without admitting or denying the findings, Jeffrey D. Jacobson consented to the entry of findings that he did not adequately supervise a registered representative (formerly employed at D&Co) who (a) placed trades for two customers without first contacting them, and (b) made unsuitable recommendations. Jacobson was given a 15 day suspension from all Principal/Supervisory roles, and paid a fine in the amount of \$7,500.

On June 8, 2016, without admitting or denying the findings, D&Co consented to the sanctions and to the entry of findings that it provided underwriting services for issuers with which it had active “blanket” financial advisory agreements. The findings stated that the blanket agreements were not limited by time or specific issuances of bonds. Rather, the agreements outlined the firm’s responsibilities as financial advisor for all “projects that require the issuance of obligations”. The firm’s responsibilities to the issuers included recommending the type or types of bonds to be utilized, assisting in determining the amount of financing required and recommending financing or refinancing programs to fit the issuers’ resources and requirements. In exchange for financial advisory services, the firm would have received a fee for each specific bond issue. Despite these blanket financial advisory agreements, the firm provided municipal underwriting services to the municipal issuers with which it had blanket financial advisory agreements. The firm was compensated only as an underwriter for those issuances. The firm was censured and fined \$50,000.

D&Co submitted an Offer of Settlement to the Securities and Exchange Commission which was accepted on June 18, 2015 and in which the firm, without admitting or denying the findings, consented to cease and desist from committing or causing any violations and any future violations of the Section 17(a)(2) of the Securities Act; pay a civil monetary penalty in the amount of \$250,000 to the Commission; and retain an independent consultant to conduct a review of its policies and procedures as they relate to municipal securities underwriting due diligence. The Commission found the firm to have willfully violated Section 17(a)(2) of the Securities Act. This matter involved violations of an antifraud provision of the federal securities laws in connection with the firm’s underwriting of certain municipal securities offerings. The Commission stated that the firm, a registered broker-dealer, conducted inadequate due diligence in certain offerings and as a result, failed to form a reasonable basis for believing the truthfulness of certain material representations in official statements issued in connection with those offerings. This resulted in the firm offering and selling municipal securities on the basis of materially misleading disclosure documents. The violations were self-reported by the firm to the Commission pursuant to the Division of Enforcement's Municipalities Continuing Disclosure Cooperation (MCDC) Initiative.

D&Co submitted a Letter of Acceptance, Waiver and Consent to FINRA on January 15, 2013 in which D&Co was censured, fined \$47,500 for MSRB Rule violations, and revised its Written Supervisory Procedures regarding interest rate reporting requirements. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to submit interest rate reset information for Variable Rate Demand Obligations (VDRO) to the MSRB Short-Term Obligation Rate Transparency (SHORT) system within the time requirements prescribed by MSRB Rule G-34. The findings stated that the (a) Firm failed to record correct information on the Order Memorandum regarding the interest rate reset for the VDRO transactions reported to the short system; (b) Firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with applicable securities laws, regulations and MSRB rules concerning interest rate reporting requirements; (c) Firm failed to submit accurate information regarding the result of an interest rate VDRO reset in numerous instances to the SHORT system within the time requirements prescribed by MSRB Rule g-34; (d) Firm failed to submit accurate information

regarding the interest rate reset time in certain instances to the SHORT system within the time requirements prescribed by MSRB Rule G-34; (e) Firm failed to document certain information related to submissions made to the SHORT system; (f) Firm failed to submit accurate information regarding the result of an interest rate VDRO reset for a Committee on Uniform Securities Identification Procedures (CUSIP) to the SHORT system within the time requirements prescribed by MSRB Rule G-34; and (g) Firm failed to submit accurate information regarding the interest rate reset time for the CUSIP in some instances to the SHORT system within the time requirements prescribed by MSRB Rule -34.G

D&Co submitted a Letter of Acceptance, Waiver and Consent to FINRA on October 29, 2010 in which the Firm was censured, fined \$75,000 and required to pay restitution of \$19,764.46, plus interest, to investors. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it sold (bought) corporate bonds to (from) customers and failed to sell (buy) such bonds at a price that was fair, taking into consideration all relevant circumstances, including market conditions with respect to each bond at the time of the transaction, the expense involved and that the firm was entitled to a profit. The findings stated that the firm failed to fully and promptly execute orders. The findings also stated that in transactions for or with a customer, the firm failed to use reasonable diligence to ascertain the best inter-dealer market and failed to buy or sell in such market so that the resultant price to its customers was as favorable as possible under prevailing market conditions. The findings also included that the firm failed to contemporaneously or partially execute customer limit orders in NASDAQ securities after it traded each subject security for its own market-making account at a price that would have satisfied each customer's limit order. FINRA found that the firm failed to make a report on the covered orders in national market system securities that it received for execution from any person publicly available.

D& Co submitted a Letter of Acceptance, Waiver and Consent to FINRA (formerly the NASD) on July 10, 2007, in which the firm was censured, fined \$167,500 and required to revise its written supervisory procedures regarding municipal bond pricing, corporate bond pricing and Trade Reporting and Compliance Engine (TRACE) reporting. Without admitting or denying the findings, the firm consented to the described sanctions and to the entry of findings that it failed to purchase municipal securities for its own account from a public customer or sell municipal securities for its own account to a customer at an aggregate price that was fair and reasonable, taking into consideration all relevant factors, including the best judgment of the firm as to the fair market value of the securities at the time of the transaction, and of any securities exchanged or traded in connection with the transaction, the expense involved in effecting the transaction, the fact that the firm was entitled to a profit and the total dollar amount of the transaction. The findings stated that the firm bought/sold corporate bonds for its own account from/to another broker-dealer and failed to sell/buy the security to/from a firm customer at a price that was fair, taking into consideration all relevant circumstances, including market conditions with respect to the security at the time of the transaction, the expense involved and that the firm was entitled to a profit. The findings also stated that the firm failed to report the lower of yield to call or yield to maturity for transactions in TRACE-eligible securities to TRACE. The findings also included that the firm's supervisory system did not provide for supervision reasonably designed to achieve compliance with applicable securities laws, regulations and Municipal Securities Rulemaking Board (MSRB) rules concerning municipal bond pricing, and NASD rules concerning corporate bond pricing and TRACE reporting.

## **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

### **ACTIVITIES**

D&Co is registered as a broker/dealer. As a broker/dealer, D&Co is principally engaged in the business of buying and selling securities for its own account and the accounts of others, and in the investment banking business.

D&Co will also offer investment advisory services for a percentage of assets under guidance or consultation and the 12b-1 trailer commissions to individuals, trusts, estates, charitable organizations, corporations, business entities, and pension and profit sharing plans. They will also furnish advice to clients on matters not involving securities.

12b-1 trailer commissions are paid to D&Co or persons or entities associated with D&Co. If available, clients may purchase securities or funds that do not make 12b-1 trailer commission payments. D&Co will attempt to identify fund shares that do not charge a 12b-1 trailer commission. D&Co will periodically review the fund transactions for 12b-1 trailer commission charges, and when a 12b-1 trailer commission has been charged, take appropriate remedial steps.

Security transactions for investment advisory clients will likely occur through the broker/dealer D&Co. A conflict of interest with investment advisory clients could be created by the broker/dealer activities of D&Co.

D&Co may recommend the purchase or sale of securities to funds, when it or any of its employees has a position or some financial or ownership interest in the recommended security, even though the funds may have been recommended to investment advisory clients.

D&Co also acts as an insurance agency, with products such as variable annuities and life insurance available through that agency. These insurance products are not available in the fund advisory services, nor are they used by the non-affiliated investment advisors.

#### AFFILIATIONS

Dougherty & Company LLC is wholly owned by Dougherty Financial Group LLC (“DFG”). Both companies are located at 90 South Seventh Street, Suite 4300, Minneapolis, Minnesota 55402.

Dougherty Wealth Advisers LLC, a Delaware LLC and wholly-owned subsidiary of DFG located at 90 South Seventh Street, Suite 4300, is an SEC-registered Investment Adviser and offers a full suite of wealth management services to different client types including financial planning, tax, consulting and portfolio management services. Dougherty Wealth Advisers LLC is also registered as an Insurance Agency.

Dougherty Insurance Agency LLC, a Delaware LLC and wholly-owned subsidiary of DFG located at 90 South Seventh Street, Suite 4300, is a Minnesota licensed insurance agency.

#### **CODE OF ETHICS**

D&Co has adopted a Code of Ethics which is designed to:

- Prevent investment activities by persons with access to certain information that might be harmful to clients or that might enable such persons to illicitly profit from their relationship with clients;
- Summarize the written policies and procedures designed to prevent the misuse of material, non-public information in violation of the 1934 Act, the Advisers Act, or the Rules and Regulations hereunder, as required by Section 15(f) of the 1934 Act and Section 204(a) of the Advisers Act;
- Put customers’ interests first. D&Co seeks to foster a reputation for integrity and professionalism. That reputation is a vital business asset. The confidence and trust placed in D&Co by investors is something D&Co values and endeavors to protect; and

- Ensure that all personal securities transactions by employees are conducted consistent with the Code and in such a manner as to avoid actual or potential conflict of interest or abuse of an individual's position of trust and responsibility.

Specifically, in accord with SEC and state rules relating to record keeping by investment advisers, D&Co requires prompt reports on all transactions covered by the Code. D&Co further requires that all brokerage account relationships be disclosed, that D&Co receive duplicate confirmations of transactions and custodial account statements, and annual certifications of compliance with the Code of Ethics from all covered persons.

A copy of the Code will be provided upon request to clients and potential clients.

## **BROKERAGE PRACTICES**

D&Co is registered with the Securities and Exchange Commission as a broker-dealer pursuant to the Securities Exchange Act of 1934. For any services that could use D&Co's trading desk and when best price and execution can be obtained through D&Co's own trading desk, D&Co anticipates that it will execute such transactions through its trading desk for Dougherty Director accounts. Any proposed principal transactions by a client with D&Co or any of its affiliates will be subject to the prior authorization of the client, and all completed agency transactions affected by and through D&Co will be in accordance with regulatory requirements.

Principal transactions are done in accordance with Rule 206(3)-3T which permits an adviser, with respect to a non-discretionary advisory account, to comply with Section 206(3) of the Advisers Act by, among other things:

- providing written prospective disclosure regarding the conflicts arising from principal trades;
- obtaining written, revocable consent from the client prospectively authorizing the adviser to enter into principal transactions;
- making certain disclosures, either orally or in writing, and obtaining the client's consent before each principal transaction;
- sending to the client confirmation statements disclosing the capacity in which the adviser has acted and disclosing that the adviser informed the client that it may act in a principal capacity and that the client authorized the transaction; and
- delivering to the client an annual report itemizing the principal transactions.

Certain clients of D&Co may have investment objectives and policies similar to those of other clients. It is the policy of D&Co to allocate advisory recommendations and the placing of orders in a manner that is deemed equitable by D&Co to accounts involved. When two or more of the clients of D&Co are purchasing or selling the same security on a given day from, to or through the same broker or dealer, such transactions will be averaged as to price.

## *ENVESTNET*

Because transactions in Envestnet's discretionary Programs generally are executed through NFS, D&Co, by recommending one or more of these programs, may be recommending trade execution services through NFS. In Envestnet's discretionary Programs, clients authorize and direct transactions to be executed through NFS, subject to the manager's duty to seek best execution. For additional information regarding brokerage services and costs in the Envestnet discretionary Programs, see the Envestnet Form ADV and other available documents.

## REVIEW OF ACCOUNTS

Except for wrap accounts, the appropriate manager reviews accounts regularly and review accounts that are flagged by events.

Wrap accounts are discussed with clients to the extent required by the underlying account agreements with the wrap program sponsor, who retains the primary obligation for account review.

Accounts with an independent investment manager (wrap) receive the manager's report at least quarterly. Non-discretionary accounts receive at least quarterly statements. Currently, all accounts are either managed by an outside manager or are non-discretionary investment advisory accounts.

## CLIENT REFERRALS AND OTHER COMPENSATION

D&Co from time to time may compensate, either directly or indirectly, any person for client referrals. D&Co is aware of applicable state requirements and endeavors to comply therewith. D&Co maintains written agreements and client acknowledgments for each relationship.

## CUSTODY

Clients are scheduled to receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. D&Co urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you.

## INVESTMENT DISCRETION

### OUTSIDE MANAGERS (WRAP)

*Envestnet*

Clients elect to grant discretionary authority to a third party at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amounts, D&Co observes the investment policies, limitations and restrictions of the clients for which it advises. Investment guidelines and restrictions must be provided to D&Co in writing.

### FEE-BASED SERVICES

*Dougherty Director*

D&Co provides fee-based services to clients on a non-discretionary basis.

## **VOTING CLIENT SECURITIES**

### OUTSIDE MANAGERS (WRAP)

*Envestnet*

For those programs employing outside money managers, those managers have been granted authority by the clients to vote proxies (unless that authority has been retained by the client).

### FEE-BASED SERVICES

*Dougherty Director*

D&Co does not vote proxies for clients. Our clearing firm, National Financial Services LLC, uses a proxy agent, Broadridge (formerly known as ADP), to collect and distribute proxy materials to clients at their address of record.

## **FINANCIAL INFORMATION**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about D&Co's financial condition. D&Co has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

## **OUR CLIENT PRIVACY PLEDGE**

At Dougherty & Company LLC our clients' trust is important to us. Because you trust us with your financial and other personal information, we take the safeguarding and respect of this information seriously. In order to maintain that trust we pledge to protect your privacy by striving to adhere to the policy outlined below.

Personal information we obtain is limited but may come to us through account opening documents, updates of such information and your account history with us. The type of information collected is personal financial information, transactions and various other similar items of personal information. This information is important to our providing the best services to you.

There may be times when such information is provided to our affiliates to enable us to receive services such as compliance matters. Also, we provide such client information to National Financial Services LLC, our clearing firm. The client information provided is essential to our servicing your account. We may disclose such information to other third parties when we believe it necessary for the conduct of our business, or where disclosure is required by law.

It is our policy that we do not provide current or former customer names and account information to any outside firms, persons or organizations (such as catalogue or direct mail companies) unless there is a pre-existing relationship you have established (i.e. power of attorney, request for duplicate confirmations or other similar items) and you have provided authority for us to do so or in situations where we have a legal or regulatory obligation to provide such information.



It is our policy to not provide any other businesses with any information specific to accounts maintained by Dougherty & Company for the purpose of marketing or business leads.

Personal information is protected in various manners. All employees are subject to a policy regarding confidentiality. Employees who violate our Privacy Policy are subject to disciplinary process. In addition, our internal systems are secured through encryption technology, passwords, and physical safeguards. We strive to maintain the confidentiality of your account and any other personal information.