



**April 2, 2020**

## **FSA Investment Group, LLC**

212 South Alcaniz Street  
Pensacola, Florida 32502  
850.696.1550

[www.FSA-IG.com](http://www.FSA-IG.com)

This brochure provides information about the qualifications and business practices of FSA Investment Group, LLC ("FSA" or the "Firm"). If you have any questions about the contents of this brochure, please contact the Chief Compliance Officer at the number listed above. The information in this brochure has not been approved or verified by the U.S. Securities and Exchange Commission (the "SEC") or by any state securities authority. Additional information about FSA also is available on the SEC's Investment Adviser Public Disclosure website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). FSA is an independent, federally registered investment adviser. Registration does not imply any level of skill or training.

## **Item 2: Material Changes**

In this Item, the Firm is required to discuss any material changes since its last annual amendment filed in March 2019. This Item contains information pertaining to material changes only since the last annual update of the brochure. The following material changes have been made since the last amendment:

- Micheal James Alexander is now the Firm's Chief Compliance Officer
- The primary address to the FSA office has been updated to 212 South Alcaniz, Pensacola, FL, 32502

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## **Item 4: Advisory Business**

### **Description of the Firm**

FSA has been in business as an SEC registered investment advisory firm since March 2012.<sup>1</sup> FSA is principally owned by the founders Nancy Lowrey and John Hosman. FSA focuses on culture, integrity, knowledge, service and trust in an effort to provide its clients with financial services aimed at securing financial strength now and for future generations. The Firm seeks to provide unprecedented customer service to its clients while developing each client's trust through honesty and transparency. The Firm believes in taking a comprehensive and customized approach to each client's needs.

### **Investment Advisory Services**

FSA generally provides clients with wealth management services which include financial planning and consulting services, as well as the discretionary and non-discretionary management of investment portfolios. Financial planning services may include business planning, investments, insurance, retirement, education, estate planning, and tax and cash flow needs of the client. In addition, the Firm may also specifically provide tribal clients with cash management, minor trust, elder trust, enterprise consulting, and other advisory consulting services.

With respect to managed portfolios, FSA primarily allocates clients' assets among model investment portfolios and products managed by Highland Advisor Associates ('Highland'), which serves as the Firm's exclusive sub-adviser. FSA retains authority over all asset allocation decisions and conducts continuous due diligence of both Highland and client portfolios.

FSA may also provide advice regarding held away and legacy assets, such as retirement plan accounts, concentrated stock positions, variable annuities, private placement securities, cash, and other related types of positions.

### **Client Tailored Engagements**

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

Clients are advised to promptly notify FSA if there are changes in their financial situation or investment objectives or if they wish to impose any reasonable restrictions upon FSA's management services. Clients may impose reasonable restrictions or mandates on the management of their account (i.e., require that a portion of their assets be invested in socially responsible funds) if, in the Firm's sole discretion, the conditions will not materially impact the performance of a portfolio strategy or prove overly burdensome to its management efforts.

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<sup>1</sup> The name of the registrant was FS Advisors Inc. from March 2012 through March 2014 when FSA Investment Group, LLC submitted a successor filing and assumed the original entity's investment adviser registration. Despite the change in corporate structure, the business and ownership has remained substantially the same since inception.

In performing its services, FSA is not required to verify any information received from the client or from the clients' other professionals (e.g., attorney, accountant, etc.) and is expressly authorized to rely on such information. FSA may recommend the services of itself and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists if FSA recommends its affiliated companies. The client is under no obligation to act upon any of the recommendations made by the Firm or to engage the services of any such recommended professional, including FSA itself. Clients are advised that it remains their responsibility to promptly notify FSA if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating, or revising the Firm's previous recommendations and/or services.

### **Financing and Project Management**

FSA may advise certain clients on financial matters related to the development and/or solicitation of financing and/or refinancing of projects such as, but not limited to, Tribal Casinos, Hotels, Convenience Stores, Smoke Shops, Grocery Stores, Administration buildings, etc. FSA leverages its expertise to help clients obtain capital derived from New Market Tax Credits, BIA Loan Guarantees, traditional financing, syndicated loans, etc. Throughout this process, FSA assists with the creation of financial projections, budgets, scope, as well as writing the financing memorandum, working with the project team, and facilitating recurring project calls. FSA may also help with writing and/or conducting Requests for Proposals (RFPs). FSA generally serves as the main point of contact for the client and coordinates with the other vendors/contractors/partners to manage the project.

FSA generally charges a flat, monthly fee for the services listed in the financing contract as well as a deferred fee payable upon completion of the contract. In some instances, FSA has used the fee schedule below as requested by the client. The fee is payable upon completion of the contract. All fees are negotiable and may vary slightly between clients.

### **Wrap Fee Programs**

The Firm does not sponsor or participate in any wrap fee programs.

### **Assets Under Management**

As of December 31, 2019, the Firm had approximately \$382.5 million in regulatory assets under management, all of which was managed on a discretionary basis. Additionally, FSA had approximately \$68 million in non-discretionary assets under advisement which are not categorized as regulatory assets under management for purposes of the Form ADV.

Item 5: Fees and Compensation

### **FSA Fee and Compensation Structure**

FSA's annual fee is prorated and charged quarterly, in advance, based upon the market value of the assets, including accrued interest, on the close of the prior billing period. Quarters are based on a calendar year as shown below:



Quarter One ..... January 1<sup>st</sup> – March 31<sup>st</sup>  
Quarter Two ..... April 1<sup>st</sup> – June 30<sup>th</sup>  
Quarter Three ..... July 1<sup>st</sup> – September 30<sup>th</sup>  
Quarter Four ..... October 1<sup>st</sup> – December 31<sup>st</sup>

For the initial period of an engagement, fees are calculated on a pro rata basis and billed in arrears during the following quarter's billing. During the follow quarter, the initial fee is billed in arrears and the quarterly fee is billed in advance, based upon the market value of the assets on the close of the prior billing period. If assets are deposited into or withdrawn from an account after the inception of a quarter (i.e. new money, initial deposit, etc.) the fee payable with respect to such assets will be prorated based on the number of days remaining in the billing period and billed and/or refunded in arrears.

If the advisory agreement is terminated, fees are prorated through the date of termination and any remaining balance is billed or refunded to the client, as appropriate. The advisory agreement between FSA and the client will continue in effect until terminated by either party pursuant to the terms of the agreement.

Clients may make additions to and withdrawals from their account at any time subject to FSA's right to terminate an account. Additions may be in cash or securities provided that FSA reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account. Clients may withdraw account assets on notice to FSA, subject to the usual and customary securities settlement procedures. The Firm may consult with its clients about the options and ramifications of transferring securities; however, clients are advised that when transferred securities are liquidated, they are subject to transaction fees, fees assessed at the mutual fund level (i.e., contingent deferred sales charge) and/or tax ramifications.

***Fees for Tribal/Institutional Clients*** – FSA generally charges tribal/institutional clients an annual fee based upon a percentage of assets under management which varies between 10 and 100 basis points (0.10% and 1.00%) depending on the size of the portfolio and scope of services to be rendered. FSA charges tribal/institutional clients an annual fee based upon a percentage of assets under management, in accordance with the following fee schedule:

Account Value	Incremental Fee
Up to \$2,000,000	1.00%
\$2,000,000 - \$5,000,000	0.75%
\$5,000,000 - \$10,000,000	0.50%
\$10,000,000 - \$25,000,000	0.35%
Above \$25,000,000	0.30%

In certain situations, the Firm may also negotiate to charge an alternative fixed fee in lieu of an asset-based fee. The specific billing practices under such an arrangement are individually negotiated and agreed upon in advance. *The fee(s) charged by FSA is inclusive of the investment advisory fee of Highland.*



**Fee(s) for Individual Clients** – FSA generally charges individual clients an annual fee based upon a percentage of assets under management, in accordance with the following fee schedule:

Account Value	Incremental Fee
Up to \$2,000,000	1.00%
\$2,000,000 - \$5,000,000	0.75%
\$5,000,000 - \$10,000,000	0.50%
\$10,000,000 - \$25,000,000	0.35%
Above \$25,000,000	0.30%

In certain situations, the Firm may also negotiate to charge an alternative fixed fee in lieu of an asset-based fee. The specific billing practices under such an arrangement are individually negotiated and agreed upon in advance. *The fee(s) charged by FSA is inclusive of the investment advisory fee of Highland.*

FSA may, in its sole discretion, negotiate to discount or waive certain fees based upon certain criteria (e.g., investment only accounts, anticipated future earnings, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client relationship, account retention, etc.).

Clients are advised that where the Firm is holding cash or cash equivalents for an extended period of time, FSA bills on these assets. In this regard, FSA's fee may be higher than charges by other advisers that provide the same or similar services.

#### **Financing and Project Management fees**

Project Value	Flat Fee
Up to \$4,000,000	\$25,000
\$4,000,001 - \$7,500,000	\$50,000
\$7,500,001 - \$13,000,000	\$100,000
\$13,000,001 - \$20,500,000	\$150,000
Above \$25,000,001	\$200,000

#### **Fee Debit**

Once a discretionary wealth management agreement is authorized by the client, FSA is authorized to directly debit the client's account for payment of its advisory fee. FSA's annual fee is prorated and charged quarterly, in advance, based upon the market value of the assets, including accrued interest, on the close of the prior billing period. Financial Institutions recommended by the Firm have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to FSA.

Fees are pulled directly from associated accounts as close to the fifteenth of the month following the preceding quarter. If the fifteenth falls on a Saturday, the fees will generally be pulled on the





preceding Friday. If the fifteenth falls on a Sunday, the fees will generally be pulled on the following Monday. This timeframe is subject to change.

### **Additional Account Fees and Expenses**

FSA does not receive any additional investment related fees other than what is explicitly stated in the investment advisory contract agreed upon with each client. However, FSA clients will incur brokerage and other transaction costs in addition to the management fee paid to FSA, as stated below. Additional information regarding the Firm's brokerage relationship(s) can be found in Item 12 of this brochure.

As further discussed in response to Item 11 (below), FSA generally recommends that clients utilize the custody, brokerage, and clearing services of Charles Schwab Advisor Services™ ("Schwab") for investment accounts. FSA's fee is separate of and in addition to certain charges imposed by Schwab, including custody fees, securities brokerage commissions, transfer agent fees, and other related transaction fees, as well as fees imposed by separate account managers.

FSA may only implement its investment management recommendations after the client has arranged for and furnished FSA with all information and authorization regarding accounts with appropriate financial institutions. Financial institutions include, but are not limited to, Schwab, any other broker-dealer recommended by FSA, broker-dealer directed by the client, trust companies, banks etc. (collectively referred to herein as the "Financial Institutions").

Clients may incur certain charges imposed by the Financial Institutions and other third parties such as charges imposed directly by a mutual fund or ETF in the account, which are disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions.

Clients' portfolios that contain a Separate Account Manager(s) may incur certain charges imposed by each specific manager.

### **Advanced Billing Practices**

Per FSA's discretionary wealth management agreement, clients will pay FSA in advance for discretionary investment services. FSA's annual fee is prorated and charged quarterly, in advance, based upon the market value of the assets, including accrued interest, on the close of the prior billing period.

If the advisory agreement is terminated, fees are prorated through the date of termination and any remaining balance is charged or refunded to the client, as appropriate. The advisory agreement between FSA and the client will continue in effect until terminated by either party pursuant to the terms of the agreement.

### **Commissions or Sales Charges for Recommendations of Securities**



The Firm does not receive any commissions or transaction fees associated with its investment management services. No Supervised Persons of FSA are registered representatives of a broker/dealer.

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

FSA does not provide services under a performance-based fee arrangement, and therefore does not engage in side-by-side management of accounts with different fee structures.

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

FSA provides services to Federally Recognized Indian Tribes, individuals, and institutions, as well as trusts, estates, charitable organizations, corporations and other business entities. FSA does not have requirements for opening or maintaining accounts, such as minimum account size; however, FSA may, in its sole discretion, select clients to which it provides services.

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

Overall, FSA's investment approach is focused on creating investment strategies that are designed to meet client's current needs while seeking to ensure the strategies provide a pathway to meet future, financial goals. To accomplish this long-term, absolute-return goal, a careful assessment of market fundamentals, including valuation, is critical to the Firm's strategy.

The Firm's investment strategy is dependent upon the type of client. For retail clients (including trusts and estates), the Firm collaborates with clients to determine their holistic investment portfolio which includes the clients' goals, objectives, risk tolerance, cash flow needs, tax situation, and other critical factors. Once the Firm and the client(s) have developed a mutual understanding of the clients' investment portfolio, FSA assigns the asset allocation to the portfolio. To formalize the investment structure and assist with monitoring the portfolio, an investment policy statement is created and implemented. The investment policy statement sets the foundation for the relationship by explicitly stating goals, objectives, risk tolerance, target allocations, restrictions, and responsibilities. Once the investment policy statement has been agreed to, the Firm implements the portfolio consistent with its investment models utilizing Independent Managers (Separate Account Managers), ETF's, funds, and individual securities through a diversified approach. Portfolios are managed, continuously by; monitoring the investment landscape; executing tactical shifts in asset allocating based on fundamental analysis; rebalancing periodically when appropriate; and reviewing the investment policy statement to ensure compliance with the agreed upon asset structure.

For an institutional client (including tribes, municipalities, business committees, etc.,) the Firm collaborates with the organization to assist in the creation of an investment committee (if a committee has not already been created). The investment committee is responsible for determining the institution's holistic investment portfolio which includes the institution's goals/mission, objectives, risk tolerance, cash flow needs, tax situation (if applicable), and other critical facts. Once the Firm and the investment committee have developed a mutual understanding of the institution's investment structure, FSA assigns the asset allocation to the portfolio. To formalize the investment structure and assist with monitoring the portfolio, an investment policy statement is created and implemented for the portfolio(s). The investment policy statement sets the foundation for the relationship by explicitly stating goals, objectives, risk tolerance, target allocations, restrictions, and responsibilities. Once the investment policy statement has been agreed to, the Firm implements a portfolio consistent with its investment models utilizing Independent Managers (Separate Account Managers), ETF's, funds, and individual securities through a diversified approach. Portfolios are managed, continuously by; monitoring the investment landscape; executing tactical shifts in asset allocating based on analysis; rebalancing periodically when appropriate; and reviewing the investment policy statement to ensure compliance with the agreed upon investment structure.

FSA has entered into a strategic arrangement with Highland Associates to act as FSA's Model Portfolio Advisor, ("Highland"), whereby FSA exclusively (with certain limitation) allocates client

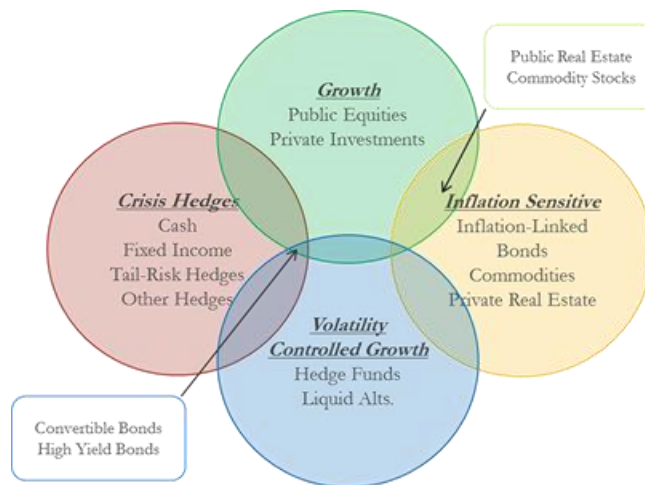


assets to model investment strategies and products which are actively managed by Highland. Highland is an unaffiliated, federally registered investment adviser whose CRD number is 104948 and whose SEC number is 801-30248. FSA continues to conduct ongoing due diligence and oversight of Highland and its strategies, and the authority and fiduciary duty to implement all asset allocation decisions and security selection remains with FSA. Clients do not incur any additional fees (other than agreed upon fee schedule in each client agreement) as a result of this relationship.

***Asset Allocation Philosophy*** – Highland builds FSA investment models to balance the two major risks facing client portfolios: (1) the risk of losing money; and, (2) the risk of failing to meet objectives. As such, an investment model is used as a starting point in the analysis of investment portfolios, but seasoned judgement is applied to attempt to avoid the two risks stated above.

Asset allocation, which is based on Highland’s capital market view, is always implemented with each client’s specific objective(s) and constraint(s) in mind. The use of predetermined models by client does not address the unique nature of each client; thus, the models are highly customized. Unique considerations would include, but are not limited to, such factors such as investment restrictions and regulations, liquidity needs, clarity and transparency, and comfort level among decision makers. In addition, asset allocation has both a strategic and tactical component. The strategic component is influenced heavily by the investment policy statement. The strategic asset allocation framework consists generally of minimum and maximum weights for each asset class accompanied by a ‘neutral’ target weight. The tactical component is influenced heavily by the current market risks or opportunities and will affect an overweight or underweight to each asset class as appropriate.

FSA and Highland’s investment philosophy is grounded in the belief that portfolio risk exposures and forward-looking capital assessments, rather than past experience, are the two critical factors to avoid losing money and/or failing to meet objectives. To combat these risks and best understand how portfolios will react to the macroeconomic and investment environment, Highland analyzes the fundamental economic drivers or risk and return of the investments in each portfolio model to ensure diversification is mitigating risk while enhancing return. The figure below shows how Highland views portfolio exposures as well as the asset classes that underpin each exposure.



To determine which investments offer the highest risk/reward tradeoff, Highland examines the economy, applies historical results, wisdom, experience, and statistical analysis, and develops conclusions. This method involves Highland surveying the current state of each market's fundamentals compared to both its own history and to all other asset classes. While investment markets are driven heavily by fundamental value, long-term secular movements (bull/bear markets) also play a pivotal role in allocating client assets. Both FSA and Highland spend time and effort attempting to gain a realistic point of view on the secular, macro environment to attempt proper portfolio position.

**Asset Allocation Process** – With regards to building model portfolios, Highland's Investment Committee oversees the entire investment process. This includes manager due diligence, asset allocation studies, market research, and identifying market opportunities. The voting members of the Committee consist of seven (7) shareholders of Highland that average over twenty (20) years of investment experience and include representatives from each investment function. Highland's research process centers around two issues: (1) the capital market environment (macro) which impacts the portfolio's asset allocation; and, (2) the implementation of manager selection through research and systematic due diligence (micro).

Highland's primary tool used to summarize the current macroeconomic and capital market environment is called the Market Monitor. The Market Monitor utilizes fundamental analysis to determine future expectations for various economic and market segments, including:

Economic	Cash	Fixed Income	Public Equities	Hedged Equity	Inflation Sensitive
Growth	Enhanced Cash	Treasuries	Global		Inflation linked bonds
Inflation	Gov't/Credit	Credit	US		Public Real Estate
	Aggregate (ie. Treasuries, Agency, MBS, Credit, ABS, etc)	Aggregate (ie. Treasuries, Agency, MBS, Credit, ABS, etc)	International		Private Real Estate
			Developed		
			Emerging Market		Commodities
			Americas		
			Europe		
			Asia/Pacific		

*Note: Private equity is not specifically listed in the Market Monitor, but the asset class is analyzed based on a combination of the public equity and economic factors. Also, while Highland analyzes all the markets listed above, some clients may not use every market in the applicable portfolio model.*

Highland understands the true economic drivers of each market and evaluates current levels versus the long-term levels and executes decisions based off the results of the analysis. The Market Monitor ultimately produces the baseline, capital market expectations for the next three, five, and ten years. As stated previously, these models are used as a starting point. Once the individual markets are analyzed, FSA and Highland move to the current, global macro environment and applies seasoned judgment to determine the expectations used in the asset allocation studies. Once the market expectations are agreed upon, current portfolios may be adjusted to address new opportunities or risks that were exposed.

After the capital market outlook is solidified, Highland determines optimal asset allocation for each model using Highland's proprietary factor model applications as well as eVestment's RiskPlus, overlaid with experience and judgement. Once the asset allocation is determined, the investment managers are selected for each model to fulfill the asset mix. Managers who are recommended have been thoroughly vetted by the Investment Committee.

**General Risk** – No assurance can be given that the methods of analysis and investment strategies listed above will achieve favorable, risk-adjusted returns in the differing capital market conditions. The profitability of the recommended models will depend, to a great extent, on correct assessments of the future course of the price movements in securities and other investments. There can be no assurance that FSA or Highland will predict accurately such price movements. The securities markets have been characterized by volatility and unpredictability. In addition to market risk, there is unpredictability as to changes in general economic conditions which may affect the profitability of the recommended investment strategies. In addition, other investment advisers may use differing or additional methods of analysis.

**Underperformance in an Upward Trending Market** – In general, the methods of analysis and investment strategies as stated above may cause it to embrace strategies which are, relative to the large universe of possible investment strategies, somewhat conservative. As a result, in an



upward trending market, it is possible that the Firm's investment returns will lag the returns that may be achieved with a less conservative strategy.

**Liquidity Risk** – It is expected that certain of the securities the Firm recommends that its clients invest in will have limited liquidity. This lack of liquidity, together with changes in market conditions, may adversely affect the ability of clients to react to adverse developments affecting their portfolio(s).

**Concentration of Investments** – The Firm may allocate a client's portfolio to a limited number of investment alternatives or managers. As a result of this limited number of investments, the aggregate return of a client's portfolio may be substantially, adversely affected by the unfavorable performance of even a single investment.

**Risk Related to Dependence on Other Asset Managers** – The Firm's investment strategies rely, in part, on allocating portions of a client's portfolio to other asset managers. As a result, the performance of the portfolio of a client of FSA will depend on the investment success of such asset managers. In general, FSA will not have control or discretion concerning any investment, reinvestment, or distribution policies of such asset managers.

**Risk of Loss** – Although FSA makes every effort to preserve each client's capital and achieve real growth of wealth, investing in securities involves risk of loss that each client should be prepared to bear.

**Other Risks May Be Disclosed in Specific Disclosure Documents** – The risks described above are intended to summarize risks involved in the Firm's methods of analysis and investment strategies. Please note, however, that for each investment that a client makes, the client may receive a specific disclosure document that contains additional risk factors. For example, a client investing in a mutual fund would receive a prospectus for such mutual fund. These disclosure documents are prepared and delivered by parties other than FSA and would typically set forth detailed risk factors relating to the specific investment of which a client should be aware.

**Cash Positions** – The underlying component of the Firm's investment philosophy is valuation. The Firm views excess cash as consistent with client long-term objectives if fundamentals show overvaluations in asset classes. If the Firm deems an asset or asset class to be overvalued, FSA will hold less of the asset or asset class; conversely if the asset or asset class is deemed to be undervalued, FSA will hold more of the asset or asset class. The Firm views cash as a suitable, temporary place to invest, even for the most aggressive clients, if individual assets or asset classes are deemed to be overvalued. The Firm will utilize the excess cash once asset valuations normalize. Regardless of the valuation, the Firm is conducting continuous supervision over these assets to assess investments and potential investments. The primary risks of holding cash in a portfolio: the loss of purchasing power associated with not achieving enough return to keep up with inflation; the opportunity cost associated with not investing in other, higher return

investments; and, the portfolio is billed based on total market value, including accrued interest and cash.

***Separately Managed Account*** – The Firm is of the opinion that Separately Managed Accounts can be beneficial for certain client portfolios. A Separately Managed Account is an account or portfolio that is managed, with FSA’s oversight, by a third-party manager. FSA conducts initial and ongoing due diligence on each manager selected. The manager(s) handles the daily operational procedures and the trading procedures associated with the portfolio. The purpose of using a Separately Managed Account is to seek more customization of an account or portfolio compared with a common, structured product (i.e. Mutual Fund, ETF, etc.). There are several benefits for utilizing a Separately Managed Account(s), such as: the ability to tax loss harvest on the individual security level; the ability to identify cost basis on the individual security level; the ability to avoid securities that are restricted; the ability to avoid securities that are deemed socially unacceptable; and/or, the ability to customize the portfolio or strategy to meet the investment policy statement (especially for institutional accounts). There are also risks associated with Separately Managed Account, such as the layering and ambiguity of advisory fees, underperformance as compared with a benchmark; and the lack of research available on the manager. Clients’ portfolios that contain a Separate Account Manager(s) will incur certain charges imposed by each specific manager such as a management fee. The Separately Managed Account fees are in addition to FSA fees.

***Risks of Loss*** – Investing involves risk which includes the potential loss of principal, and past performance may not be indicative of future results. The profitability of FSA’s implementation efforts may depend to a great extent upon the Firm’s assessments pertaining to performance of asset classes, investment types, and/or risk grades, which are used to calculate future cash flows and goal achievement. There can be no assurance that the assumptions underlying FSA’s investment decisions will prove effective in achieving the objectives set forth in a client’s financial plan.

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

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

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

***Highland Resolute Fund Disclosure*** – Highland provides investment advisory services to a registered investment company, Highland Resolute Fund (the “Mutual Fund”). The Mutual Fund is a non-diversified investment portfolio of Financial Investors Trust, an open-end series management investment company organized as a Delaware statutory trust. The Mutual Fund pursues its investment objective by allocating its assets among (i) investment sub-advisers (the “Sub-Advisers”) who manage alternative or hedging investment strategies and (ii) other open-end investment companies registered under the Investment Company of 1940, as amended, that use alternative or hedging strategies. The Mutual Fund may also invest in closed-end funds, exchange-traded funds and exchange-traded notes, which provide exposure to hedging or alternative strategies. The Mutual Fund has an investment management agreement with Highland that establishes investment criteria and other restrictions and guidelines that govern the relationship between the Mutual Fund and Highland. Highland does not receive any additional compensation for providing investment advisory services to the Highland Resolute Fund.

## **Item 9: Disciplinary Information**

FSA has not been involved in any legal or disciplinary event that is material to a client's evaluation of its advisory business or the integrity of management.

## Item 10: Other Financial Industry Activities and Affiliations

### **Broker Dealer Registration**

FSA nor any of its management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

### **Other Registrations**

FSA nor any of its management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities.

### **Other Relationships**

***Financing & Project Management*** – FSA may advise certain clients on financial matters related to the development and/or solicitation of financing and/or refinancing of projects such as, but not limited to, Tribal Casinos, Hotels, Convenience Stores, Smoke Shops, Grocery Stores, Administration buildings, etc. FSA leverages its expertise to help clients obtain capital derived from New Market Tax Credits, BIA Loan Guarantees, traditional financing, syndicated loans, etc. Throughout this process, FSA assists with the creation of financial projections, budgets, scope, as well as writing the financing memorandum(s), working with the project team, and facilitating recurring project calls. FSA may also help with writing and/or conducting Requests for Proposals (RFPs). FSA generally serves as the main point of contact for the client and coordinates with the other vendors/contractors/partners to manage the project.

FSA generally charges a flat, monthly fee for the services listed in the financing contract as well as a deferred fee payable upon completion of the contract. In some instances, FSA has used the fee schedule below as requested by the client. The fee is payable upon completion of the contract. All fees are negotiable and may vary slightly between clients.

Project Value	Flat Fee
Up to \$4,000,000	\$25,000
\$4,000,001 - \$7,500,000	\$50,000
\$7,500,001 - \$13,000,000	\$100,000
\$13,000,001 - \$20,500,000	\$150,000
Above \$25,000,001	\$200,000

***Tribal Member Benefits and Consulting Services*** – FSA’s affiliate, FS Advisors, Inc., advises tribal leaders on the development of tribal membership benefits programs and provides other financial consulting services. Additionally, certain of the Firm’s principals/employees, in their individual capacities, provide such services to clients of FS Advisors, Inc. A conflict of interest exists to the extent that FSA or its employees recommend FS Advisors, Inc. where the Firm’s principals or employees receive additional compensation by virtue of their affiliation therewith.



**FSA Third Party Administration ('FSA -TPA)** – FSA TPA, LLC is a third-party administrator that specializes in the design, enrollment, communication, administrations, and compliance of the Tribal Member Benefits Program®. A conflict of interest exists to the extent that FSA or its employees recommend FSA TPA where the Firm's principals or employees receive additional compensation by virtue of their affiliation therewith

*Design* – FSA TPA assists tribes in assessing their members' needs for priority and funding requirements and creating the necessary documents desired for implementing and administering the program. Although a plan document is not required, it is suggested that policies and procedures be developed by the tribe. Depending on the program being established and the benefit funding, amendment of a tribe's Revenue Allocation Plan may be required.

*Enrollment* – Enrollment may occur with the tribe's benefit department or through an online portal.

*Communication* – FSA TPA provides education and communication that can be delivered by onsite workshops, community meetings, webinars, mail-outs and blogs.

*Administration* – The FSA TPA program can provide tribal members with debit card options for payment of benefit services and/or process qualified payments electronically or manually. FSA TPA provides complete program management which includes all aspects of creating and administering a program including providing comprehensive statements to tribal members and tribal administration.

*Compliance* – To ensure the integrity of the tribe's program, FSA TPA performs compliance testing based on the tribe's plan guidelines and provides extensive reporting options for a tribe's internal audit or informational purposes

**Licensed Insurance Agency** – FSA's affiliates, FSA Risk & Benefits, LLC and FS Advisors, Inc., are duly licensed insurance agencies in the State of Alabama. Additionally, certain of the Firm's employees, in their individual capacities, are licensed insurance agents, and in such capacity, may recommend, on a fully-disclosed basis, the purchase of certain insurance products. A conflict of interest exists to the extent that FSA or its employees recommend the purchase of insurance products where the Firm or its principal(s)/employee(s) receive insurance commission(s) or other additional compensation.

#### **Other Compensation**

FSA does not receive compensation, directly or indirectly, from any source other than the fees listed in each client's discretionary wealth management agreement or each client's financing contract.

## **Item 11: Code of Ethics**

### **FSA Code of Ethics**

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

### **Related Securities Transactions – Material Interest**

FSA does not participate in securities transactions in which FSA or its related persons has a material financial interest.

### **Related Securities Transactions – Concurrent Ownership**

FSA and persons associated with the Firm ("Associated Persons") are permitted to buy, sell, or hold securities that it also recommends to clients consistent with FSA's policies and procedures. For more information regarding same day transactions, please see the section below titled, 'Concurrent Transactions.'

### **Related Securities Transactions – Concurrent Transactions**

FSA and persons associated with the Firm ("Associated Persons") are permitted to buy, sell, or hold securities that it also recommends to clients consistent with FSA's policies and procedures. Associated persons must trade alongside the client and cannot put the client at a disadvantage. Unless specifically permitted in FSA's Code of Ethics, none of FSA's Access Persons may effect for themselves or for their immediate family (i.e., spouse, minor children, and adults living in the same household as the Access Person) any transactions in a security which is being actively purchased or sold, or is being considered for purchase or sale, on behalf of any of FSA's clients. When FSA is purchasing or considering for purchase any security on behalf of a client, no Access Person may effect a transaction in that security prior to the completion of the purchase or until a decision has been made not to purchase such security unless trading alongside the client. Similarly, when FSA is selling or considering the sale of any security on behalf of a client, no Access Person may effect a transaction in that security prior to the completion of the sale or until a decision has been made not to sell such security unless trading alongside the client. These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high-quality, short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

Clients and prospective clients may contact FSA to request a copy of its Code of Ethics.





## Item 12: Brokerage Practices

### **Broker-dealer Selection**

Factors which FSA considers in recommending Schwab or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service.

### **Research and Other Soft Dollar Benefits**

FSA receives research, both proprietary and non-proprietary, as well additional support from its selected Brokerage Firm(s) listed in the section titled, '*Software and Support Provided by Financial Institutions.*'

### **Use of Client Brokerage Commissions**

As discussed in Item 5, FSA generally recommends that clients utilize the custody, brokerage and clearing services of Schwab. Factors which FSA considers in recommending Schwab or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. When FSA uses client brokerage commissions to obtain research or other products or services, the Firm receives a benefit since the Firm does not have to produce or pay for the research, products, and/or services.

Transactions may be cleared through other Financial Institutions with whom FSA and the Financial Institutions have entered into agreements for brokerage clearing services. FSA periodically and systematically reviews its policies and procedures regarding its recommendation of Financial Institutions in light of its duty to obtain best execution.

### **Inherent Broker-dealer Recommendation Conflict of Interest**

In fulfilling its fiduciary duties to its clients, FSA endeavors at all times to put the interests of its clients first. Clients should be aware, however, that FSA's receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits may influence FSA's choice of broker-dealer over another broker-dealer that does not furnish similar software, systems support or services.

### **Brokerage Commissions**

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



### *Soft Dollar Benefits*

FSA does not participate in Soft Dollar Benefits.

### *Software and Support Provided by Financial Institutions*

FSA has arrangements in place whereby the Firm receives an economic benefit from a third-party for providing investment advice to clients participating in the Program.

Specifically, FSA may receive from Schwab certain computer software and related systems support which allow the Firm to better monitor client accounts maintained at Schwab. FSA may receive the software and related support without cost, because FSA renders investment management services to clients that maintain assets at Schwab. The software and related systems support may benefit FSA, but not its clients directly. Additionally, FSA may receive the following benefits from Schwab through its Advisor Services Division:

- Receipt of duplicate client confirmations and bundled duplicate statements;
- Access to a trading desk that exclusively services its Schwab Advisor Solutions participants;
- Access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and
- Access to an electronic communication network for client order entry and account information.
- On-site Consultation. For example, Schwab provided a cyber-security consultant to FSA to help facilitate the enhancement of the Firm's program.

### *Soft Dollar Procedures*

FSA directed all client transactions to Schwab last year. The commissions paid by the Firm's clients comply with FSA's duty to obtain 'best execution.' FSA maintained its fiduciary duty, and performs thorough due diligence on Schwab, periodically.

### *Brokerage for Client Referrals*

FSA does not receive, nor considers, recommending a broker-dealer in exchange for client-referrals.

### *Directed Brokerage*

#### *Required Directed Brokerage*

FSA does not require directed brokerage.

#### *Client Directed Brokerage*

The client may direct FSA in writing to use a particular Financial Institution to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that Financial Institution, and FSA will not seek better execution services or prices from other Financial Institutions or be able to 'batch' client transactions for execution through

other Financial Institutions with orders for other accounts managed by FSA (as described below). As a result, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices on transactions for the account than would otherwise be the case. Subject to its duty of best execution, FSA may decline a client's request to direct brokerage if, in FSA's sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

### **Trade Aggregation**

Transactions for each client generally will be effected independently, unless FSA decides to purchase or sell the same securities for several clients at approximately the same time. FSA may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among FSA's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently.

Under this procedure, transactions will generally be averaged as to price and allocated among FSA's clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that FSA determines to aggregate client orders for the purchase or sale of securities, including securities in which FSA's Supervised Persons may invest, FSA shall generally do so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. FSA shall not receive any additional compensation or remuneration as a result of the aggregation.

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

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker-dealers in return for investment research products and/or services which assist FSA in its investment decision-making process. Such research generally will be used to service all of FSA's



clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest, because FSA does not have to produce or pay for the products or services.

#### Brokerage for Client Referrals

The Firm does not receive client referrals from any broker dealer.

## **Item 13: Review of Accounts**

### **Account Reviews**

FSA monitors the portfolios of its wealth management and investment clients as part of a continuous and ongoing process, while regular account reviews are conducted on at least a quarterly basis. FSA generally seeks to require that each ongoing wealth management client's financial plan is revisited at least annually. A review of the portfolio is completed to ensure that the portfolio is in balance, whether it's the strategic or tactical allocation, the portfolio is compliant with the applicable Investment Policy Statement, and the assets are allocated to the appropriate security.

### **Factors Triggering a Review**

Sudden changes in the market(s), changes to the Investment Policy Statements, changes in legislation, and/or changes in life events that would likely impact on the feasibility of a client's financial plan and corresponding investment strategy are some of the factors that would trigger an unplanned review. These reviews are conducted by one of FSA's investment adviser representatives. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with FSA and to keep FSA informed of any changes thereto. The Director of Investments is responsible for this review.

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

Clients are provided with written transaction confirmation notices and regular (monthly or at least quarterly) summary account statements directly from the Financial Institutions where their accounts are custodied. Clients may also receive quarterly reports from FSA that may include relevant account and/or market-related information such as an inventory of account holdings, asset allocation, fee summary, and account performance. Clients should compare the account statements they receive from their custodian with those they receive from FSA.

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

### Economic Benefits

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

### Client Referrals

FSA is required to disclose any direct or indirect compensation that it provides for client referrals. FSA does not compensate any non-employee for referrals.

## **Item 15: Custody**

Certain clients provide FSA with the ability to invoice their custodian for payment of the Firm's advisory fees which results in a form of constructive custody. The Financial Institutions where client accounts are custodied have agreed to send statements to clients, at least quarterly, indicating all amounts disbursed from their accounts, including the amount of advisory fees paid directly to FSA. FSA may also send periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the Financial Institutions and compare them to those received from the Firm.

## **Item 16: Investment Discretion**

FSA is considered to exercise investment discretion over a client's account if it can effect transactions for the client without first having to seek the client's consent. For discretionary engagements, the Firm is given this authority through a limited power-of-attorney included in the advisory agreement between FSA and the client. Schwab also requires signatures on the applicable applications from the client to provide the appropriate discretionary authority to FSA. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). FSA assumes discretion over the security and manager selection process, including the amount, time and price at which transaction are executed, as well as the authority to engage or terminate separate account managers on a client's behalf. FSA does not accept any standing letters of authorization for third-party money movement; however, these transactions can be completed with a client signature and verbal authorization for each transaction.

Additionally, the Firm may also provide investment management and advisory services to clients on a non-discretionary basis pursuant to the specific terms of the client agreement. In those situations, FSA must either seek the client's approval prior to implementing its recommendations or rely on the client to execute transactions for the account on which it is advising.



## **Item 17: Voting Client Securities**

### **FSA Proxy Clients – Voting Policies**

FSA may accept the authority to vote a client's securities (i.e., proxies) on their behalf. The Firm has adopted proxy voting procedures which include specific examples of voting decisions for the types of proposals that are most frequently presented, including but not limited to, the following: composition of the board of directors; approval of independent auditors; management and director compensation; anti-takeover mechanisms and related issues; changes to capital structure; corporate and social policy issues; and issues involving mutual funds. Clients can direct the vote of the proxy by communicating the recommended action to the Firm. Certain issues may also be considered on a case-by-case basis based on the relevant facts and circumstances and more often than not the Firm will side with management's recommendations. Clients may request a copy of voting decisions.

In situations where there may be a conflict of interest in the voting of proxies due to business or personal relationships that FSA maintains with persons having an interest in the outcome of certain votes, the Firm takes appropriate steps to ensure that its proxy voting decisions are made in the best interest of its clients and are not the product of such conflict.

### **Non-proxy Clients**

In situations where FSA does not have the authority to vote proxies, clients will receive their proxies or other solicitations directly from their custodian. Clients may contact their investment advisor representative with any questions or concerns regarding a particular solicitation.

The Firm's proxy voting policies and procedures are available to clients or potential clients upon request.

## Item 18: Financial Information

FSA is not required to disclose any financial information pursuant to this Item due to the following:

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