

# Aviance Capital Partners, LLC

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Form ADV Part 2A, Firm Brochure

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This Brochure provides information about the qualifications and business practices of Aviance Capital Partners, LLC. If you have any questions about the contents of this Brochure, please contact us at (239) 598-4747 or [jspike@aviancepartners.com](mailto:jspike@aviancepartners.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Aviance Capital Partners, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

References to Aviance Capital Partners, LLC as being a "registered investment adviser" or any reference to being "registered" does not imply a certain level of skill or training.

## **Item 2           Material Changes**

Since the March 26, 2019 Annual Amendment filing, this ADV Part 2A, Firm Brochure has been materially amended as follows:

### **March 12, 2020**

- We discontinued our sub-advisory services arrangement with Aviance Capital Management and no longer offer the Dynamic Investment Allocation Strategies. As a result, we amended Items 4, 5, and 7 of the Firm Brochure.

Aviance Capital Partners, LLC's Chief Compliance Officer, Jeffrey Pike, remains available to address any questions that a client or prospective client may have regarding this material change or any other aspect of this ADV Part 2A, Firm Brochure.

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## Item 4            **Advisory Business**

- A. Aviance Capital Partners, LLC (the “Registrant”) is a limited liability company formed on March 8, 2008 in the State of Florida, which became a Registered Investment Adviser in March 2008. The Registrant is principally owned by James R. Neel and Jack D. Brown. Jack D. Brown is the Registrant’s Managing Member.

As discussed below, the Registrant offers to its clients (individuals, high net worth individuals, trusts, estates, and pension and profit sharing plans, corporations or other business entities, etc.) investment advisory services on a discretionary and/or non-discretionary basis.

### B. **INVESTMENT ADVISORY SERVICES**

The client may engage the Registrant to provide discretionary and/or non-discretionary investment advisory services. Before engaging the Registrant to provide investment advisory services, clients are required to enter into an Investment Advisory Agreement with Registrant setting forth the terms and conditions of the engagement. Before Registrant provides investment advisory services, an investment adviser representative will ascertain each client’s investment objectives. Thereafter, the Registrant will allocate and/or recommend that the client allocate investment assets consistent with the designated investment objectives and the strategy agreed upon between the client and their investment adviser representative. Once allocated, the client’s account is typically managed according to the selected strategy. However, investment adviser representatives will periodically discuss with clients whether a strategy remains appropriate for the client. To the extent engaged to do so and specifically requested by a client, financial planning and related consulting services may be included in the engagement.

The Registrant allocates client investment assets in conformity with one or more investment strategies described below. The corresponding fee schedules associated with these strategies are provided in Item 5.A.:

Disciplined Growth: This strategy invests in equities that Registrant perceives as being high quality, which are based on domestic and international companies with generally large market capitalization rates.

Disciplined Value: This strategy utilizes a value investing approach of stock selection to invest in equities of predominately domestic companies with varying market capitalization rates.

Global: This strategy invests primarily in closed end funds and exchange traded funds (“ETFs”) that consist of equity securities in both international and domestic markets.

Global Tactical: This strategy leverages a Ned Davis Research asset allocation model portfolio. The Global Tactical strategy invests in exchange traded funds representing both domestic and non-U.S. Markets. The investments are tactically allocated between stock, bond and cash markets.

Balanced: This strategy invests in both equity and fixed income securities in an effort to deliver a mixture of income and modest capital appreciation.

Enhanced Income: This strategy invests in diversified income-producing securities within asset classes that Registrant perceives as having the best potential for risk-adjusted income.

Core Plus: This strategy invests primarily in closed end funds and ETFs that consist of fixed income securities.

Fixed Income: This strategy invests in fixed income securities that are designed to provide a regular, stable income stream such as bonds issued by federal governments, local municipalities, or corporations.

Concentrated Position: This strategy is a customized approach to managing large equity positions typically through the use of options of the underlying securities.

Registrant's annual investment advisory fee compensates for investment management services and limited financial planning services that are ancillary to the investment management process. There is no additional cost associated with the financial planning services, which may address: cash flow, retirement needs, asset allocation consulting, educational funding, tax efficiency, charitable gifting, estate considerations, risk/insurance management, wealth transfer, and other special needs. Registrant provides these services as appropriate during the investment advisory process, but is not obligated to provide these services with any regularity or according to a set schedule unless specifically agreed with the client. The Registrant may also provide tax preparation services in connection with its financial planning service. Tax preparation services are generally outsourced to a third party provider, with no additional expense incurred by the client for basic tax returns.

The client is under no obligation to engage the services of any third party professional recommended during the financial planning process. The client retains absolute discretion over any implementation decisions related to the financial planning portion of the engagement and is free to accept or reject any recommendation from the Registrant in the financial planning process, including the use of a recommended third party professional. If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. It remains the client's responsibility to promptly notify the Registrant if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising Registrant's previous recommendations and/or services.

## **MISCELLANEOUS**

### **Limitations of Financial Planning and Non-Investment Consulting/Implementation Services.**

As indicated above, to the extent requested by a client, Registrant may provide financial planning and related consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. Registrant does not serve as an attorney or accountant, and no portion of its services should be construed as legal or accounting services. As noted above, Registrant provides financial planning services in connection with its Investment Advisory Services. Accordingly, Registrant does not prepare estate planning documents. As noted above, any assistance with tax preparation is typically outsourced to a third party firm at no additional cost to the client for a basic tax return. To the extent requested by a client, Registrant may recommend the services of other professionals for certain non-investment implementation purpose (i.e. attorneys, accountants, insurance agents, etc.). The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from Registrant and/or its representatives. If the client engages any recommended unaffiliated professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. If, and when, the Registrant is involved in a specific matter (i.e. estate planning, insurance, accounting-related engagement, etc.), it is the engaged licensed

professionals (i.e. attorney, accountant, insurance agent, etc.), and not the Registrant, that is responsible for the quality and competency of the services provided. The recommendation by Registrant's representative that a client purchase insurance commission products through Registrant's representative or engage the Registrant or any of its representatives, in their separate and individual capacity as an insurance agent, presents a conflict of interest, as the receipt of commissions may provide an incentive to recommend insurance products based on commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase insurance commission products through such a representative. Clients are reminded that they may purchase insurance products recommended by Registrant through other non-affiliated insurance agents. Registrant's Chief Compliance Officer, Jeffrey Pike, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.

**Non-Discretionary Service Limitations.** Clients that determine to engage Registrant on a non-discretionary investment advisory basis **must be willing to accept** that Registrant cannot effect any account transactions without obtaining prior consent to such transaction(s) from the client. Thus, in the event that Registrant would like to make a transaction for a client's account (including in the event of an individual holding or general market correction), and the client is unavailable, the Registrant will be unable to effect the account transaction(s) (as it would for its discretionary clients) **without first obtaining the client's consent.**

**Client Obligations.** In performing its services, the Registrant shall not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely thereon. Moreover, each client is advised that it remains their responsibility to promptly notify the Registrant if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating, or revising the Registrant's previous recommendations and/or services.

**Retirement Plan Rollovers-No Obligation/Conflict of Interest.** A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). If the Registrant recommends that a client roll over their retirement plan assets into an account to be managed by the Registrant, such a recommendation creates a **conflict of interest**. The Registrant will earn new (or increase its current) compensation as a result of the rollover. **No client is under any obligation to roll over plan assets to an IRA managed by the Registrant or to engage the Registrant to monitor and/or manage the account while maintained at the client's employer.** The Registrant's Chief Compliance Officer, Jeffrey Pike, remains available to address any questions that a client or prospective client may have regarding its prospective engagement and the corresponding conflict of interest presented by such engagement.

**ByAllAccounts/eMoney.** Registrant, in conjunction with the services provided by "ByAllAccounts," and or "eMoney" may also provide periodic comprehensive reporting services which can incorporate all of the client's investment assets, including those investment assets that are not part of the assets managed by Registrant (the "Excluded Assets"). The eMoney platform allows a client to view Excluded Assets. Registrant does not provide investment management, monitoring, or implementation services for the Excluded Assets, with the exception of certain 401(k) and 529 plans that the Registrant has agreed to monitor and provide recommendations on their holdings. Therefore, Registrant shall not be responsible for the investment performance of the Excluded Assets unless it has agreed to monitor or provide recommendations about a specific

held away account. In addition, eMoney also provides access to other types of information, including financial planning concepts, which should not be construed as services, advice or recommendations provided by Registrant. Unless otherwise specifically agreed to, in writing, Registrant's service relative to the Excluded Assets is limited to reporting only. If Registrant were asked to make a recommendation as to any Excluded Assets, the client is under absolutely no obligation to accept the recommendation, and Registrant shall not be responsible for any implementation error (timing, trading, etc.) relative to the Excluded Assets. In the event the client desires that Registrant provide investment management services for the Excluded Assets, the client may engage the Registrant to do so pursuant to the terms and conditions of the Investment Advisory Agreement between Registrant and the client.

- C. The Registrant provides investment advisory services specifically tailored to the needs of each client. Before providing investment advisory services, an investment adviser representative will ascertain each client's investment objective(s). Thereafter, the Registrant shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at any time, impose reasonable restrictions, in writing, on the Registrant's services.
- D. Registrant does not offer a wrap fee program for its investment advisory services. However, Registrant is a participating investment adviser in the "Lockwood Investment Strategies" wrap fee program sponsored by Lockwood Advisors, Inc., an unaffiliated SEC-registered investment adviser (the "Program Sponsor"). Participants in this wrap-fee program will enter into a separate agreement with the Program Sponsor, and pay their fees directly to the Program Sponsor (who, in turn, will remit a portion of those fees to Registrant). The advisory fees remitted to Registrant are based upon an annual percentage of assets under management, and are calculated by the Program Sponsor either on a quarterly basis or a monthly basis.

**Wrap Programs:** In the event that Registrant is engaged to provide investment advisory services as part of an unaffiliated wrap-fee program, Registrant will be unable to negotiate commissions and/or transaction costs. Under a wrap fee program, the wrap fee Program Sponsor arranges for the participant to receive investment advisory services, the execution of securities brokerage transactions, custody and reporting services for a single specified fee. Participation in a wrap fee program may cost the participant more or less than purchasing such services separately. Since the custodian/broker-dealer is determined by the Program Sponsor, Registrant will be unable to negotiate commissions and/or transaction costs, and/or seek better execution. As a result, participants 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 through alternative clearing arrangements recommended by Registrant. Higher transaction costs adversely impact account performance. The Registrant's Chief Compliance Officer, Jeffrey Pike, remains available to address any questions that a client may have regarding participation in a wrap fee program.

- E. As of December 31, 2019, the Registrant had \$565,003,592 in assets under management on a discretionary basis; and \$29,803,554 in assets under management on a non-discretionary basis.

## **Item 5            Fees and Compensation**

- A. The client can determine to engage the Registrant to provide discretionary and/or non-discretionary investment advisory services on a negotiable fee basis.

### **INVESTMENT ADVISORY SERVICES**

Except with respect to the Concentrated Positions strategy offering, the Registrant's negotiable annual investment advisory fee is generally based upon a percentage of the market value of the assets placed under the Registrant's management as follows:

<u>Portfolio Value</u>	<u>ANNUAL FEE</u>
First \$3,000,000	1.00%
Additional Assets between \$ 3,000,001 - \$10,000,000	0.85%
Amounts Exceeding \$10,000,000	0.75%

For the Concentrated Positions strategy, the Registrant's annual investment advisory fee is based on a fixed percentage of 0.50% of the market value of assets placed under management.

The Registrant's investment advisory fee is negotiable at Registrant's discretion, depending upon objective and subjective factors including but not limited to: the amount of assets to be managed; portfolio composition; the scope and complexity of the engagement; the anticipated number of meetings and servicing needs; related accounts; future earning capacity; anticipated future additional assets; the professional(s) rendering the service(s); prior relationships with the Registrant and/or its representatives, and negotiations with the client. As a result of these factors, similarly situated clients could pay different fees, the services to be provided by the Registrant to any particular client could be available from other advisers at lower fees, and certain clients may have fees different from those specifically set forth above. The Registrant's Chief Compliance Officer, Jeffrey Pike, remains available to address any questions that a client or prospective client may have regarding the negotiability or determination of fees.

- B. Clients may elect to have the Registrant's advisory fees deducted from their custodial account. Both the Registrant's Investment Advisory Agreement and the custodial/ clearing agreement may authorize the custodian to debit the account for the amount of the Registrant's investment advisory fee and to directly remit that management fee to the Registrant in compliance with regulatory procedures. In the limited event that the Registrant bills the client directly, payment is due upon receipt of the Registrant's invoice. Except for certain limited existing clients, the Registrant shall deduct fees and/or bill clients quarterly in arrears, based upon the market value of the assets on the last business day of the previous quarter.
- C. As discussed below, unless the client directs otherwise or an individual client's circumstances require, the Registrant shall generally recommend that Charles Schwab and Co., Inc. ("Schwab") and/or Fidelity Inc. ("Fidelity") to serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as Schwab and Fidelity charge transaction fees for effecting certain securities transactions. In addition to the Registrant's investment management fee and brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses). When beneficial to the client, individual fixed income and/or equity transactions may be effected through broker-dealers with whom Registrant and/or the client have entered into arrangements for prime brokerage clearing services, including effecting certain client transactions through other SEC registered and FINRA member broker-dealers (in which event, the client generally will incur both the transaction fee charged by the executing broker-dealer and a "tradeaway" fee charged by Schwab and/or Fidelity).
- D. Except for certain limited existing clients, the Registrant's annual investment advisory fee shall be prorated and paid quarterly, in arrears, based upon the market value of the assets on the last business day of the previous quarter. The Investment Advisory Agreement between the Registrant and the client will continue in effect until terminated by either party by written notice in accordance with

the terms of the Investment Advisory Agreement. Upon termination, the Registrant shall charge clients for advisory services on a prorated basis for services already rendered.

- E. Neither the Registrant, nor its representatives accept compensation from the sale of securities or other investment products, with the exception of insurance.

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

Neither the Registrant nor any supervised person of the Registrant accepts performance-based fees.

## **Item 7            Types of Clients**

The Registrant's clients shall generally include: individuals, high net worth individuals, trusts, estates, pension and profit sharing plans, corporations, and other business entities. The Registrant generally requires a minimum asset level of \$500,000 and an annual minimum fee of \$5,000. Therefore if a client maintains less than \$500,000 of assets under Registrant's management and is subject to the \$5,000 annual minimum fee, the client will pay a higher percentage annual investment advisory fee than the 1.00% referenced in Item 5.A. above. The minimum investment in a Concentrated Positions strategy is generally \$1,000,000. The Registrant, in its sole discretion, may reduce or waive its minimum fees, minimum investment requirements, and/or charge a lesser investment advisory fee based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

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

- A. The Registrant may utilize the following methods of security analysis:
- Charting - (analysis performed using patterns to identify current trends and trend reversals to forecast the direction of prices)
  - Fundamental - (analysis performed on historical and present data, with the goal of estimating value and making financial forecasts)
  - Technical - (analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices)
  - Cyclical - (analysis performed on historical relationships between price and market trends, to forecast the direction of prices)

The Registrant may utilize the following investment strategies when implementing investment advice given to clients:

- Long Term Purchases - (securities held at least a year)
- Short Term Purchases - (securities sold within a year)
- Options - (contract for the purchase or sale of a security at a predetermined price during a specific period of time)

**Investment Risk.** Investing in securities involves risk of loss that clients should be prepared to bear. Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by the Registrant) will be profitable or equal any specific performance level(s).



- B. The Registrant's fundamental methods of analysis and investment strategies do not present any significant or unusual risks. However, the Registrant's investment strategies involving concentrated positions and those utilizing option transactions present higher levels of risk as discussed further below.

Every method of analysis has its own inherent risks. To perform an accurate market analysis the Registrant must have access to current/new market information. The Registrant has no control over the dissemination rate of market information; therefore, unbeknownst to the Registrant, certain analyses may be compiled with outdated market information, severely limiting the value of the Registrant's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

The Registrant's primary investment strategies - Long Term Purchases and Short Term Purchases - are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy.

Concentrated Positions. Although Registrant generally employs a broad diversification strategy, there may be times when one position is more heavily weighted than others. Diversified portfolios generally incur less volatility and therefore less fluctuation in portfolio value than those with concentrated positions. Concentrated positions may offer the potential for higher gain, but also offer the potential for significant loss because there is the possibility that negative performance of the heavily weighted security will have a greater impact on the overall performance of the portfolio.

Option Strategies. The use of options transactions as an investment strategy involves a high level of inherent risk. Option transactions establish a contract between two parties concerning the buying or selling of an asset at a predetermined price during a specific period of time. During the term of the option contract, the buyer of the option gains the right to demand fulfillment by the seller. Fulfillment may take the form of either selling or purchasing a security depending upon the nature of the option contract. Generally, the purchase or the recommendation to purchase an option contract by the Registrant shall be with the intent of offsetting/"hedging" a potential market risk in a client's portfolio. Conversely, the sale or recommendation to sell an option contract by the Registrant is typically used to generate income. Income is received from the proceeds of the option sale. Such income may be reduced to the extent it is necessary to buy back the option position prior to its expiration. This strategy may involve a degree of trading velocity, transaction costs and significant losses if the underlying security has volatile price movement.

Although the intent of the options-related transactions that may be implemented by the Registrant is to hedge against principal risk or to generate income, certain options-related strategies (i.e. straddles, short positions, etc.), may, in and of themselves, produce principal volatility and/or risk. Thus, a client must be willing to accept these enhanced volatility and principal risks associated with such strategies. In light of these enhanced risks, a client may direct the Registrant, in writing, not to employ any or all such strategies for their accounts. For detailed information on the use of options and option strategies, please refer to the Option Clearing Corp.'s Option Disclosure Document, which can be found at: <http://www.optionsclearing.com/components/docs/riskstoc.pdf>.

Hard copies may be ordered by calling 1-888-678-4667 or writing OCC, 1 North Wacker Drive, Suite 500 Chicago, Illinois 60606.

**Portfolio Activity/Inactivity.** There may be extended periods of time when the Registrant will not execute any transactions in a client's portfolio. In addition, certain of the Registrant's investment strategies may involve above-average portfolio turnover, which could negatively impact upon the net after-tax gain experienced by an individual client in a taxable account. Regardless of the level of activity in a client's account, they remain subject to the fees outlined in Item 5.

**Cash Positions.** At any time and for a substantial length of time Registrant may hold a significant portion of a client's assets in cash or money market mutual funds. Investments in these assets may cause a client to miss upswings in the markets. Unless the Registrant expressly agrees otherwise in writing, account assets consisting of cash and money market mutual funds are included in the value of an account's assets for purposes of calculating its advisory fee. A client can advise Registrant not to maintain (or to limit the amount of) cash holdings in the client's account.

- C. Currently, the Registrant primarily allocates client investment assets among various individual equity (stocks), debt (bonds) and fixed income securities, mutual funds and/or ETFs, in accordance with the client's designated investment objective(s). When consistent with a client's investment objectives, the Registrant may also allocate investment assets to options strategies, and to structured notes. The options strategies are described above. The risks of structured notes are described below.

**Structured Notes.** The Registrant may purchase structured notes for client accounts. A structured note is a financial instrument that combines two elements, a debt security and exposure to an underlying asset or assets. It is essentially a note, carrying counter party risk of the issuer. However, the return on the note is linked to the return of an underlying asset or assets (such as the S&P 500 Index or commodities). It is this latter feature that makes structured products unique, as the payout can be used to provide some degree of principal protection, leveraged returns (but usually with some cap on the maximum return), and be tailored to a specific market or economic view. In addition, investors may receive long-term capital gains tax treatment if certain underlying conditions are met and the note is held for more than one year. Finally, structured notes may also have liquidity constraints, such that the sale thereof prior to maturity may be limited.

## **Item 9           Disciplinary Information**

The Registrant has not been the subject of any disciplinary actions.

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

- A. Neither the Registrant, nor its representatives, are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. Neither the Registrant, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.
- C. The Registrant does not have any relationship or arrangement that is material to its advisory business or to its clients with any related person, except as described below

**Licensed Insurance Agents.** Certain of Registrant's representatives, in their individual capacities, are licensed insurance agents and may recommend the purchase of certain insurance-related products on a commission basis. As referenced in Item 4.B above, clients can engage certain of Registrant's representatives to purchase insurance products on a commission basis.

**Conflict of Interest:** The recommendation by representatives that a client purchase insurance commission product presents a conflict of interest, as the receipt of commissions may provide an incentive to recommend investment products based on commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase any commission products from Services' representatives. Clients are reminded that they may purchase insurance products recommended by or through other, non-affiliated insurance agents or broker-dealers. Registrant's Chief Compliance Officer, Jeffrey Pike, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.

- D. The Registrant does not receive, directly or indirectly, compensation from investment advisors that it recommends or selects for its clients.

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

- A. The Registrant maintains an investment policy relative to personal securities transactions. This investment policy is part of the Registrant's overall Code of Ethics, which serves to establish a standard of business conduct for all of the Registrant's representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, the Registrant also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by the Registrant or any person associated with the Registrant.

- B. Neither the Registrant nor any related person of the Registrant recommends, buys, or sells for client accounts, securities in which the Registrant or any related person of the Registrant has a material financial interest.
- C. The Registrant and/or representatives of the Registrant may buy or sell securities that are also recommended to clients. This practice may create a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a conflict of interest. Practices such as "scalping" (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if the Registrant did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, "front-running" (i.e., personal trades executed prior to those of the Registrant's clients) and other potentially abusive practices.

The Registrant has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of the Registrant's "Access Persons." The Registrant's securities transaction policy requires that an Access Person of the Registrant must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report

of the Access Person's current securities holdings at least once each twelve (12) month period thereafter on a date the Registrant selects.

- D. The Registrant and/or representatives of the Registrant may buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a conflict of interest. As indicated above in Item 11.C., the Registrant has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of the Registrant's Access Persons.

## **Item 12 Brokerage Practices**

- A. In the event the client requests the Registrant recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct the Registrant to use a specific broker-dealer/custodian), the Registrant generally recommends that investment management accounts be maintained at Schwab and/or Fidelity. Prior to engaging the Registrant to provide investment management services, the client will be required to enter into a formal Investment Advisory Agreement with the Registrant setting forth the terms and conditions under which the Registrant shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors the Registrant considers in recommending Schwab and/or Fidelity (or any other broker-dealer/custodian to clients) include historical relationship with the Registrant, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by the Registrant's clients shall comply with the Registrant's duty to obtain best execution, a client may pay a commission that is higher than the commission that another qualified broker-dealer might charge to effect the same transaction where the Registrant determines, in good faith, that the commission/transaction fee is reasonable. 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 broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although the Registrant will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, the Registrant's investment management fee. The Registrant's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

### **1. Non-Soft Dollar Research and Additional Benefits**

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, the Registrant may receive from Schwab and/or Fidelity (or another broker-dealer/custodian, investment platform, independent investment manager, and/or product/fund sponsor) without cost (and/or at a discount) support services and/or products, certain of which assist the Registrant to better monitor and service client accounts maintained at such institutions. The support services that Registrant may obtain could include: investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis travel and attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software

and/or other products used by the Registrant in furtherance of its investment advisory business operations.

Certain of the support services and/or products that may be received may assist the Registrant in managing and administering client accounts. Others do not directly provide such assistance, but rather assist the Registrant to manage and further develop its business enterprise.

The Registrant's clients do not pay more for investment transactions effected and/or assets maintained at Schwab and/or Fidelity as a result of this arrangement. There is no corresponding commitment made by the Registrant to Schwab and/or Fidelity or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities, or other investment products as a result of the above arrangement.

The Registrant's Chief Compliance Officer, Jeffrey Pike, remains available to address any questions that a client or prospective client may have regarding the above arrangement and the corresponding conflict of interest created by this arrangement.

2. Schwab Referrals

The Registrant receives client referrals from Schwab through the Registrant's participation in Schwab Advisor Network™ (the "Service"), designed to help investors find an independent investment advisor. Schwab is a broker-dealer independent of and unaffiliated with the Registrant. Schwab does not supervise the Registrant and has no responsibility for the Registrant's management of clients' portfolios or the Registrant's other advice or services. The Registrant pays Schwab fees to receive client referrals through the Service. **The Registrant's participation in the Service raises conflicts of interest described below.**

The Registrant pays Schwab a Participation Fee on all referred clients' accounts that are maintained in custody at Schwab and a Non-Schwab Custody Fee on all accounts that are maintained at, or transferred to, another custodian. The Participation Fee paid by the Registrant is a percentage of the value of the assets in the client's account. The Registrant pays Schwab the Participation Fee for so long as the referred client's account remains in custody at Schwab and under the Registrant's management. The Participation Fee is billed to the Registrant quarterly and may be increased, decreased or waived by Schwab from time to time. The Participation Fee is paid by the Registrant and not by the client. The Registrant has agreed not to charge clients referred through the Service fees or costs greater than the fees or costs the Registrant charges clients with similar portfolios (pursuant to the Registrant's standard fee schedule as in effect from time to time) who were not referred through the Service.

The Registrant generally pays Schwab a Non-Schwab Custody Fee if custody of a referred client's account is not maintained by, or assets in the account are transferred from Schwab, unless the client was solely responsible for the decision not to maintain custody at Schwab. The Non-Schwab Custody Fee is a one-time payment equal to a percentage of the assets placed in custody other than at Schwab. The Non-Schwab Custody Fee is higher than the Participation Fees the Registrant generally would pay in a single year. Thus, the Registrant will have an incentive to recommend that client accounts be held in custody at Schwab.

The Participation and Non-Schwab Custody Fees will be based on assets in accounts of the Registrant's clients who were referred by Schwab and those referred clients' family members living in the same household. Thus, the Registrant will have incentives to encourage household members of clients referred through the Service to maintain custody of their accounts and

execute transactions at Schwab and to instruct Schwab to debit the Registrant's fees directly from the accounts.

For accounts of the Registrant's clients maintained in custody at Schwab, Schwab will not charge the client separately for custody but will receive compensation from the Registrant's clients in the form of commissions or other transaction-related compensation on securities trades executed through Schwab. Schwab also will receive a fee (generally lower than the applicable commission on trades it executes) for clearance and settlement of trades to be executed through Schwab rather than another broker-dealer. The Registrant nevertheless acknowledges its duty to seek best execution of trades for client accounts. Trades for client accounts held in custody at Schwab may be executed through a different broker-dealer than trades for the Registrant's other clients. Thus, trades for accounts custodied at Schwab may be executed at different times and different prices than trades for other accounts that are executed at other broker-dealers.

The Registrant's Chief Compliance Officer, Jeffrey Pike, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding conflict of interest such arrangement may create.

3. Directed Brokerage

Registrant recommends that its clients utilize the brokerage and custodial services provided by Schwab and Fidelity. Registrant does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and Registrant will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by Registrant. 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.

In the event the client directs Registrant to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through Registrant. Higher transaction costs adversely impact account performance. Transactions for directed accounts will generally be executed following the execution of portfolio transactions for non-directed accounts.

The Registrant's Chief Compliance Officer, Jeffrey Pike, remains available to address any questions that a client or prospective client may have regarding the above arrangement.

- B. To the extent the Registrant provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless the Registrant decides to purchase or sell the same securities for several clients at approximately the same time. The Registrant 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 the Registrant'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 be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. The Registrant shall not receive any additional compensation or remuneration as a result of such aggregation.

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

- A. For those clients to whom the Registrant provides investment supervisory services, account reviews are conducted on a periodic basis by the Registrant's representatives. All investment supervisory clients are advised that it remains their responsibility to advise the Registrant of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review investment objectives and account performance with the Registrant on an annual basis.
- B. The Registrant may conduct account reviews on an other than periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections, and client request.
- C. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. The Registrant may also provide a written periodic report summarizing account activity and performance.

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

- A. As referenced in Item 12.A.1 above, the Registrant may receive economic benefits from Schwab and/or Fidelity including support services or products without cost (and/or at a discount). The Registrant's clients do not pay more for investment transactions effected and/or assets maintained at Schwab and/or Fidelity as a result of this arrangement. There is no corresponding commitment made by the Registrant to Schwab, Fidelity or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities, or other investment products as a result of the above arrangement.

The Registrant also participates in the Service as referenced in Item 12.A.2 above, through which it may receive client referrals from Schwab. Please refer to Item 12.A.2 above for a complete description of the Service and the way in which the Registrant addresses any conflicts of interest which may arise as a result of this arrangement.

The Registrant's Chief Compliance Officer, Jeffrey Pike, remains available to address any questions that a client or prospective client may have regarding the above arrangement and the corresponding conflict of interest created by such arrangement

- B. If a client is introduced to the Registrant by either an unaffiliated or an affiliated solicitor, the Registrant may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, and any corresponding state securities law requirements. Any such referral fee shall be paid solely from the Registrant's investment management fee, and shall not result in any additional charge to the client. If the client is introduced to the Registrant by an unaffiliated solicitor, the solicitor, at the time of the solicitation, shall disclose the nature of their solicitor relationship, and shall provide each prospective client with a copy of the Registrant's written Brochure with a copy of the written disclosure statement from the solicitor to the client disclosing the terms of the solicitation arrangement between the Registrant and the solicitor, including the compensation to be received by the solicitor from the Registrant.

## **Item 15      Custody**

The Registrant is deemed to have custody of clients' funds and securities within the meaning of Rule 206(4)-2 under the Investment Advisers Act of 1940. A qualified custodian sends quarterly, or more frequent, account statements directly to clients who should carefully review those statements. The Registrant may also provide a written periodic report summarizing account activity and performance. To the extent the Registrant provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by the Registrant with the account statements received from the account custodian.

## **Item 16      Investment Discretion**

The client can determine to engage the Registrant to provide investment advisory services on a discretionary basis. Prior to the Registrant assuming discretionary authority over a client's account, the client shall be required to execute an Investment Advisory Agreement, naming the Registrant as the client's attorney and agent in fact, granting the Registrant full authority to buy, sell, or otherwise effect investment transactions involving the assets in the client's name found in the discretionary account.

Clients who engage the Registrant on a discretionary basis may, at any time, impose restrictions, in writing, on the Registrant's discretionary authority. (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe the Registrant's use of margin, etc.).

## **Item 17      Voting Client Securities**

Unless the client directs otherwise in writing, the Registrant is responsible for voting client proxies (However, the client shall maintain exclusive responsibility for all legal proceedings or other type events pertaining to the account assets, including, but not limited to, class action lawsuits.). The Registrant shall vote proxies in accordance with its Proxy Voting Policy, a copy of which is available upon request. The Registrant shall monitor corporate actions of individual issuers and investment companies consistent with the Registrant's fiduciary duty to vote proxies in the best interests of its clients. Although the factors which the Registrant will consider when determining how it will vote differ on a case by case basis, they may, but are not limited to include: a review of recommendations from issuer management, shareholder proposals, cost effects of such proposals, or the effect on employee, executive, or director compensation. With respect to individual issuers, the Registrant may be solicited to vote on matters including corporate governance, adoption or amendments to compensation plans (including stock options), and matters involving social issues and corporate responsibility. With respect to investment companies (e.g., mutual funds), the Registrant may be solicited to vote on matters including the approval of advisory contracts, distribution plans, and mergers. The Registrant shall maintain records pertaining to proxy voting as required pursuant to Rule 204-2 (c)(2) under the Advisers Act. Copies of Rules 206(4)-6 and 204-2(c)(2) are available upon written request. In addition, information pertaining to how the Registrant voted on any specific proxy issue is also available upon written request. Requests should be made by contacting the Registrant's Chief Compliance Officer, Jeffrey Pike.



**Item 18          Financial Information**

- A. The Registrant does not solicit fees of more than \$1,200, per client, six months or more in advance.
- B. The Registrant is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.
- C. The Registrant has not been the subject of a bankruptcy petition.

ANY QUESTIONS: The Registrant's Chief Compliance Officer, Jeffrey Pike, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.