



**Shobe & Associates, Inc.  
d/b/a: The Shobe Financial Group**

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

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This brochure provides information about the qualifications and business practices of The Shobe Financial Group. If you have any questions about the contents of this brochure, please contact Jason Windham, Chief Compliance Officer of The Shobe Financial Group at (225) 763-7010, or by email at: [jwindham@shobe.com](mailto:jwindham@shobe.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 The Shobe Financial Group is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). This information may be accessed by entering a firm's unique identifying number, known as a CRD number. The CRD number for The Shobe Financial Group is 114975.

The Shobe Financial Group is a registered investment adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

## Item 2 Material Changes

Form ADV Part 2 requires registered investment advisers to amend their brochure when information becomes materially inaccurate. If there are any material changes to an adviser's disclosure brochure, the adviser is required to notify you and provide you with a description of the material changes.

Since our last annual updating amendment, dated March 16, 2020, we have the following material changes to report.

- We amended the *Advisory Business* and *Fees and Compensation* sections to disclose that we offer retirement plan consulting Services to employee benefit plans and their fiduciaries based upon the needs of the plan and the services requested by the plan sponsor or named fiduciary. Please refer to these sections for additional information.
- Additionally, we amended Item 18 to disclose that due to the economic uncertainties surrounding the current COVID-19 pandemic, we believed it was necessary and prudent for Financial Benefits, Inc. (Shobe & Associates Inc.'s ("SAI's") related operations company) to apply for, and accept, a Payroll Protection Program loan offered by the Small Business Administration to support ongoing operations of our companies. While SAI did not receive any of those funds directly, Financial Benefits, Inc. did receive \$281,000 on April 17, 2020, which was part of the economic relief provided under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Financial Benefits is eligible to use the funds as permitted and may apply for forgiveness under the rules of the CARES Act.

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at: (225) 763-7010 or by email at: [info@shobe.com](mailto:info@shobe.com).

### **Item 3 Table Of Contents**

Item 1 Cover Page	Page 1
Item 2 Material Changes	Page 3
Item 3 Table Of Contents	Page 4
Item 4 Advisory Business	Page 5
Item 5 Fees and Compensation	Page 8
Item 6 Performance-Based Fees	Page 16
Item 7 Types of Clients	Page 17
Item 8 Methods of Analysis, Investment Strategies and Risk of Loss	Page 17
Item 9 Disciplinary Information	Page 18
Item 10 Other Financial Industry Activities and Affiliations	Page 18
Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	Page 20
Item 12 Brokerage Practices	Page 20
Item 13 Review of Accounts	Page 21
Item 14 Client Referrals and Other Compensation	Page 21
Item 15 Custody	Page 23
Item 16 Investment Discretion	Page 23
Item 17 Voting Client Securities	Page 23
Item 18 Financial Information	Page 23
Item 19 Requirements for State-Registered Advisers	Page 24
Item 20 Additional Information	Page 24
Item 21 Business Continuity Plan	Page 25
Item 22 Information Security Program	Page 26

## **Item 4 Advisory Business**

### **Firm Description**

Shobe & Associates, Inc. ("SAI") dba The Shobe Financial Group was founded in 1983 and formed under the laws of the State of Louisiana. SAI is registered with the Securities and Exchange Commission ("SEC"), and is one of the oldest independent registered investment advisory ("RIA") firms located in Baton Rouge, LA.

The following paragraphs describe our services and fees. Refer to the description of each investment advisory service listed below for information on how we tailor our advisory services to your individual needs. As used in this brochure, the words "we," "our," and "us" refer to Shobe Financial Group and the words "you," "your," and "client" refer to you as either a client or prospective client of our firm.

SAI offers personalized confidential investment advisory services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and other business entities. Individuals associated with SAI will provide its investment advisory services. These individuals are appropriately licensed, qualified and authorized to provide advisory services on behalf of SAI. Such individuals are known as Investment Adviser Representatives (IARs).

Advice is provided through consultation with the client and may include: determination of financial objectives, identification of financial problems, cash flow management, insurance review, investment management, education funding, retirement planning, and estate planning.

Investment advice is provided, with the client making the final decision on investment selection. SAI does not act as a custodian of client assets. The client always maintains asset control. Some of the people associated with SAI are also registered representatives of Raymond James Financial Services, Inc. (RJFS), Member FINRA/SIPC, a licensed full service securities broker/dealer, and as such, may place trades for clients on a discretionary or non-discretionary basis.

For most planning clients, a written evaluation of each client's initial situation is provided to the client, often in the form of a net worth statement. Periodic reviews are also communicated to provide reminders of the specific courses of action that need to be taken. SAI uses a "Roadmap", an actual client specific document, to track this course of action on a 24 month basis. Additionally, the client is provided with a consolidated report, the Account Summary Report (ASR), which encompasses information on all client accounts, both with RJFS and outside of RJFS, and all other financial information.

Other professionals (e.g., lawyers, accountants, insurance agents, etc.) are engaged directly by the client on an as-needed basis. Conflicts of interest will be disclosed to the client in the unlikely event they should occur.

The initial consultation is free of charge and is considered an exploratory interview to determine the extent to which financial planning and investment management may be beneficial to the client. If it is the desire of the client to retain SAI's services, the firm and the client enter into a Financial Advisory Agreement.

## **Principal Owners**

Stockholders of SAI are:

Edward Louis Shobe, Chairman of the Board	70% or more
Jason Peter Windham, President	5% to 10%
Susan Shobe Windham, Vice President	5% to 10%

## **Types of Advisory Services**

SAI provides investment supervisory services, also known as asset management services, manages investment advisory accounts not involving investment supervisory services and furnishes investment advice through consultations.

On more than an occasional basis, SAI furnishes advice to clients on matters not involving securities, such as financial planning matters and trust services that often include estate planning.

As of December 31, 2019, we provide continuous management services for \$242,000,000 in client assets on a discretionary basis, and \$46,000,000 in client assets on a non-discretionary basis.

## **Tailored Relationships**

SAI engages in broad-based and modular financial planning. The goals and objectives for each client are documented in SAI's client relationship management system. The client may elect to have SAI prepare a financial plan for a set fee and then manage the client's assets under any one of a number of asset management programs. Some clients may only require advice on a single aspect of the management of their financial resources. For these clients, SAI offers financial plans and/or general consulting services in a format that addresses only those specific areas of interest or concern, depending on the individual client's unique circumstances.

## **Types of Agreements**

The following agreements define the typical client relationships:

### **Comprehensive Financial Planning or Retirement Planning Agreement**

In a Comprehensive Financial Plan, your IAR will collect pertinent data, conduct personal interviews with the client, and present a comprehensive written financial plan to the client. For these services, the client will pay SAI an annual fee. A comprehensive financial plan is designed to help the client with all aspects of financial planning; generally, SAI's planning services are utilized in conjunction with, or in preparation for ongoing portfolio construction and asset management.

The financial plan may include, but is not limited to: a net worth statement, a cash flow statement, a review of insurance policies and recommendations for changes, if necessary, one or more retirement scenarios, estate planning review and recommendations, and education planning with funding recommendations.

In a Retirement Planning Agreement, your IAR will collect pertinent data, conduct personal interviews with the client, and present a written retirement plan to the client. For these services, the client will pay SAI an annual fee.

### **Business Consultation Agreement**

SAI will provide financial consulting based on needs of business owners. For these services, the client will pay either hourly fees, depending on the expertise level of the staff required, or an annual flat fee.

Business ownership has wide ranging implications and the firm will assist the client in addressing many issues that may arise pursuant to such ownership. This service usually involves a partnership, limited liability company, corporation or other business entity, living trust, and/or private foundation. The service typically involves strategic recommendations, assisting business owners in structuring an acquisition, merger, or disposition, negotiations with vendors, consultations with outside advisers, and assisting with all relevant issues as they arise.

#### **Investment Consultation (for Non-RJFS Custodied Retirement Plans)**

SAI may consult with the client about investment options available in the plan and assist in making appropriate selections based on Asset Allocation decisions. For this service, the client may pay SAI a fee based on the market value of investment assets in the plan calculated and billed quarterly.

SAI may provide non-discretionary investment recommendation and consulting services to clients with regard to retirement plan assets held away from RJFS. Such services may include a risk tolerance assessment, asset allocation recommendations, management and/or monitoring of a participant's investments in a 401(K), 403(B), 457 or other type of retirement plan held outside of RJFS. SAI may assist clients in identifying categories of mutual funds, government securities and money managers which are suitable based on a client's profile including investment objectives and risk tolerance. SAI will not affect any transactions in conjunction with the advice and/or recommendations given. Clients will be responsible for implementing any trade orders. SAI may receive duplicate account statements from the client's broker and monitor the client's account on a periodic basis to ensure the account remains aligned with stated financial objectives. The client is free at all times to accept or reject any investment recommendations from SAI. SAI will provide this service exclusively to clients with assets held away from RJFS.

#### **Retirement Plan Consulting Services**

We offer retirement plan consulting services to employee benefit plans and their fiduciaries based upon the needs of the plan and the services requested by the plan sponsor or named fiduciary. In general, these services may include an existing plan review and analysis, plan-level advice regarding fund selection and investment options, education services to plan participants, investment performance monitoring, and/or ongoing consulting. These pension consulting services will generally be non-discretionary and advisory in nature. The ultimate decision to act on behalf the plan shall remain with the plan sponsor or other named fiduciary.

We may also assist with participant enrollment meetings and provide investment-related educational seminars to plan participants on such topics as:

- Diversification;
- Asset allocation;
- Risk tolerance; and
- Time horizon

Our educational seminars may include: other investment-related topics specific to the particular plan.

We may also provide additional types of retirement plan consulting services to plans on an individually negotiated basis. All services, whether discussed above or customized for the plan based upon requirements from the plan fiduciaries (which may include additional plan-level or participant-level services) shall be detailed in a written agreement and be consistent with the parameters set forth in the plan documents.

Either party to the pension consulting agreement may terminate the agreement upon written notice to the other party in accordance with the terms of the agreement for services. The retirement plan consulting fees will be prorated for the quarter in which the termination notice is given and any unearned fees will be refunded to the client.

### **Asset Management**

Assets are invested primarily in mutual funds and exchange-traded funds through RJFS. Fund companies charge an investment management fee that is disclosed in the fund prospectus.

RJFS charges a fee for stock and bond trades.

Investments may also include: equities (stocks), corporate debt securities, certificates of deposit, municipal securities, investment company securities (variable life insurance, variable annuities, and mutual funds shares), U.S. government securities, options contracts, and interests in partnerships.

Initial public offerings (IPOs) are not available through SAI.

### **Important Disclosures**

**Financial Planning and Non-Investment Consulting/Implementation Services.** To the extent requested, SAI may provide consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. Neither SAI, nor any of our representatives, serves as an attorney or accountant, and no portion of SAI's services should be construed as the same. To the extent that you request, SAI may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, tax preparer, insurance brokerage, etc.). You are 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 recommendations. **Please Note:** If you engage any such recommended professional, and a dispute arises thereafter relative to such engagement, you agree to seek recourse exclusively from and against the engaged professional.

## **Item 5 Fees and Compensation**

### **Planning and/or Business Consulting Fees**

Planning and consulting fees are determined once the scope of the planning or consulting has been agreed upon. The final fee, subject to negotiation, is directly dependent upon the facts and circumstances of the client's financial situation and the complexity of the service(s) requested.

SAI generally charges a fixed fee for its planning services. Fixed fees typically start at \$2,400 for retirement only or limited planning and \$4,000 for broad-based planning service. The fee is predicated upon the facts known at the start of the engagement and will be disclosed and agreed upon in advance of any service being performed. Since financial planning is a discovery process, situations occur wherein the client is unaware of certain financial exposures or predicaments. Any additional services not included in the quoted services will be billed at SAI's prevailing hourly rates or a new Financial Advisory Agreement will supersede the original agreement. All fluctuating fees or fees for additional services are discussed in the agreement.

Where the scope and complexity of the client's financial situation require additional time and resources outside the scale of the previously described services, SAI will provide a fee estimate after thoroughly assessing the magnitude and scope of the client's personal finances, business or economic environment, goals and objectives. Such circumstances generally involve high net worth clients and/or clients with complex business planning and structuring needs.



Generally, fees for business consulting services are based on an estimate of the hours necessary to complete the engaged services. An estimate of the total time/cost will be determined at the start of the advisory relationship and disclosed to the client at that time. Applicable fees, fee payment arrangements, and the terms of the engagement will be clearly set forth in the Advisory Agreement executed between SAI and the client prior to the services being rendered. For its business consulting services as it relates to a client's sale of their business through a business broker, SAI may charge or participate in fees for the sale of the business. The fees for such service may be hourly or may be negotiated as a percentage or portion of the business broker's commission.

**Investment Consultation** services may be provided when a planning agreement is not provided as part of the relationship. Any fees for investment consultation for retirement plans held away from RJFS will be billed quarterly in advance based on the market value of the assets on the last day of the previous billing period. SAI may either invoice the client directly or the custodian may deduct the client's account directly provided the client supplies written authorization permitting the fees to be paid directly from the account. The client is encouraged to review all account statements for accuracy. Fees may be assessed pro-rata in the event the advisory agreement is executed at any time other than the first day of a billing period.

The fee schedule is as follows:

.8%	\$0 to \$200,000
.7%	\$200,001 to \$500,000
.6%	\$500,001 to \$1,000,000
.5%	\$1,000,001 to \$2,000,000
Over	\$2,000,000 negotiable

### **Fee Billing**

Generally, SAI requires that the client pay any fees in advance on a quarterly basis. However, in special circumstances, other fee-paying arrangements may be negotiated. In either case, services to be provided, the applicable fee, and fee paying arrangements are agreed upon in advance of services rendered, and will be clearly set forth in the executed Financial Advisory Agreement.

In no circumstance will SAI require prepayment of a fee more than six months in advance and in excess of \$1,200.

Payment in full is expected upon invoice presentation. Fees are sometimes deducted from a designated client account to facilitate billing. The client must consent in advance to direct debiting of their investment account.

### **Other Fees**

Custodians may charge transaction fees on purchases or sales of certain mutual funds and exchange-traded funds. These transaction charges are usually small and incidental to the purchase or sale of a security. The selection of the security is more important than the fee that the custodian charges to buy or sell the security. It is the policy of SAI to credit back to the client account all 12(b)-1 fees in Passport Accounts. RJFS handles this reimbursement.

SAI, in its sole discretion, may waive its minimum fee and/or charge a lesser investment advisory fee based upon certain criteria (e.g., historical relationship, type of assets, anticipated future earning capacity, anticipated future additional assets, dollar amounts of assets to be managed, related accounts, account composition, negotiations with clients, etc.).

New Advisory Service Agreement fees are calculated on a formula basis and adjusted for complexity of individual situations. The formula is based on gross income, gross assets and other financial considerations.

SAI does not pay referral fees for soliciting advisory clients.

### **Retirement Plan Consulting Services**

Our advisory fees for these customized services will be negotiated with the plan sponsor or named fiduciary on a case-by-case basis.

You may terminate the retirement plan consulting services agreement upon ten (10) days' written notice. You will incur a pro rata charge for services rendered prior to termination of the agreement, which means you will incur advisory fees only in proportion to the number of days in the quarter for which you are a client. If you have pre-paid advisory fees that we have not yet earned, you will receive a prorated refund of those fees.

### **Asset Management Services**

SAI provides investment advisory supervisory services under the following programs.

#### **PASSPORT**

The PASSPORT account is an investment advisory account, administered by Raymond James & Associates (RJA), Member NYSE/SIPC, which offers clients, on a non-discretionary basis (or discretionary, provided certain qualifications are met), the ability to pay an advisory fee on the assets in their account and a nominal transaction charge in lieu of a commission for each transaction. There is a minimum investment of \$25,000 for PASSPORT accounts, although smaller accounts may be accepted based upon the specific circumstances of an account.

Advisory fees for PASSPORT accounts are based on a percentage of the assets in your account and are set forth in the following blended fee schedule:

<b>Account Value</b>	<b>Annual Fee*</b>
First \$500,000	1.45%
Next \$500,000	1.15%
Next \$2,000,000	1.00%
Next \$5,000,000	0.90%
Next \$7,000,000	0.85%
Amounts Over \$15,000,000	0.80%

\*Fees are negotiable. SAI's current fee policy is that annual advisory fees for Passport accounts range from 0.80% to 1.45%. Fees are determined by the size of the account and the nature of the services provided.

The annual asset-based fee is paid quarterly in advance. When an account is opened, the asset-based fee is billed for the remainder of the current billing period and is based on the initial contribution. Thereafter, the quarterly asset-based fee is paid in advance, is based on the account asset value as of the last business day of the previous calendar quarter, and becomes due the following business day. If cash or securities, or a combination thereof, amounting to at least \$100,000, are deposited to or withdrawn from a client's account on an individual business day in the first two months of the quarter, Raymond James will: (i) assess asset-based fees based on the value of the assets on the date of deposit for the pro-rata number of days remaining in the quarter, or (ii) refund prepaid asset-based

fees based on the value of the assets on the date of withdrawal for the pro-rata number of days remaining in the quarter. No additional asset-based fees or adjustments to previously assessed asset-based fees will be made in connection with deposits or withdrawals that occur during the last month of the quarter unless requested by the client. Notwithstanding the above \$100,000 adjustment threshold, Raymond James reserves the right, in its sole discretion, to process or not process fee adjustments when the source and destination of deposits and withdrawals involve a client's other fee-based advisory accounts. For example, a transfer of \$100,000 into a joint RJCS account funded from two \$50,000 withdrawals from two separate Passport accounts will have the \$100,000 billed in their joint RJCS account and each of the Passport accounts will be refunded previously assessed fees on the separate \$50,000 withdrawals for the period remaining in the quarter.

Participants in the PASSPORT program may be entitled to a discounted asset-based fee if they maintain one or more related accounts within these programs.

Related accounts are accounts of an individual, his or her spouse, and their children under the age of twenty-one. The term includes individually owned accounts, individual retirement accounts (IRAs), self-directed accounts (i.e., directed by individual participants) under an employee benefit plan (ERISA plan) and ERISA plan accounts in which an individual is the sole participant. Thus, related accounts in the PASSPORT programs may be aggregated for advisory fee purposes so that each account will pay a fee which is calculated on the basis of the total of all related accounts. It is the client's responsibility to identify all related accounts for purposes of qualifying for an aggregated account fee discount. While SAI may attempt to identify related accounts, it shall not be held responsible for failing to consider any related account not listed by the client.

The client authorizes and directs RJA as custodian to deduct asset-based fees from the client's account; client further authorizes and directs the custodian to send a quarterly statement to the client which shows all amounts disbursed from the client's account, including fees paid to SAI. The client understands that the brokerage statement will show the amount of the asset-based fee, the value of the assets on which the fee was based, and the specific manner in which the fee was calculated.

Additionally, there is a transaction fee of \$15 for the execution of each trade in lieu of a commission for each transaction, with the exception of certain Non-Partner Fund purchases. The Transaction Fee for Non-Partner Fund purchases (excluding those Non-Partner Fund purchases made in non-taxable accounts, e.g. ERISA Plans, IRAs, and certain other tax-deferred vehicles, which will be subject to the \$15 fee noted above) is \$40.

\*Select fund companies have agreed to pay administrative fees to Raymond James in consideration for Raymond James' waiver of the Transaction Fee assessed on certain Passport Account mutual fund purchases ("Participating Funds"). "Non-Partner Funds" do not participate in Raymond James' Education and Marketing Support program. The above Transaction Fees will be applied to purchases of Partner and Non-Partner Funds. Please note that funds may change their Participating, Partner or Non-Partner status at any time, so please consult with your financial advisor to verify their status periodically. Please contact SAI by phone, email or written request for additional information regarding Participating Funds and Partner Funds

In addition to the foregoing transaction charge, the client may also incur charges for other account services provided by RJA not directly related to the execution and clearing of transactions including, but not limited to, IRA custodial fees, safekeeping fees, interest charges on margin loans, and fees for legal or courtesy transfers of securities.

**Termination of Agreement**

SAI or the client may terminate the Financial Advisory Agreement for any of the aforementioned services within five business days of the date of acceptance without penalty to the client. After the five-day period, either party may terminate the Agreement by providing 30 days written notice to the other party. The client may incur a charge for services rendered prior to such termination. In the event the Agreement is terminated during a calendar quarter, SAI will refund a pro-rata portion of fees paid in advance for the quarter.

**Selection of Other Advisers/Asset Management**

SAI may recommend that you use the services of a third party money manager ("MM") to manage all, or a portion of, your investment portfolio. Those advisory programs are described below.

**Freedom**

The Freedom Account is an investment advisory account which allocates your assets, through discretionary mutual fund or exchange traded fund ("ETF") management, based upon your financial objectives and risk tolerances. You appoint RJA as your investment adviser to select the representative funds and monitor their performance on a continuing basis. SAI will receive a portion of the fee for services provided under the agreement. For further information refer to the RJA Wrap Fee Program Brochure.

**RJCS**

You appoint RJA, as adviser, to select certain portfolio managers, monitor performance of your account, provide you with accounting and other administrative services, and assist portfolio managers with certain trading activities. Based upon your financial needs and investment objectives, your IAR may assist you in selection an appropriate manager(s). SAI will receive a portion of the fee. For further information refer to the RJA Wrap Fee Program Brochure.

**Wrap Fee Disclosures**

The structure and nature of the various program (RJCS and Freedom) are considered to be wrap fee type programs in that commissions are not charged. The client fee is paying for custody, trades, management expertise and reporting in a bundled format.

A client's total cost for the services provided through these programs could be different if purchased separately. Cost factors may include the client's ability to:

- Obtain the services provided within the programs separately with respect to the selection of mutual funds,
- Invest and rebalance the selected mutual funds without the payment of a sales charge, and
- Obtain performance reporting comparable to those provided within each program.

When comparing costs, the combination of multiple mutual fund investments, advisory services, custodial and brokerage services available through each program may not be available separately. Clients may be required to have multiple accounts, sign numerous documents and incur various fees. If an account is not actively traded or the client qualifies for reduced sales charges, the fees in these programs may be more expensive than if utilized separately.

SAI may have a financial incentive to recommend a fee-based advisory program rather than having client's pay separately for investment advisory services, brokerage, performance reporting and other services. A portion of the annual fee charged in fee based programs is paid to SAI. This may be more

than what would be received under an alternative program or if these services were paid for separately. SAI may have a financial incentive to recommend a particular account program over another.

SAI believes the charges and fees offered within each fee-based program are competitive and reasonable when compared to alternative programs available through other firms and/or investment sources. However, SAI makes no guarantee that the aggregate cost of a particular program is lower than that which may be available elsewhere.

## **OTHER COMPENSATION CONSIDERATIONS**

### **Investment of Cash Reserves**

Raymond James has established a system in which cash reserves "sweep" daily to and from the client's investment account to cover purchases or to allow excess cash balances to immediately begin earning interest, subject to certain minimum balances. The account in which these cash reserves are held is considered the client's sweep account. The sweeps options available will vary depending on account type. Please refer to "Sweeps (Transfers) To and From Income-Producing Accounts" in the "Your Rights and Responsibilities as a Raymond James Client" Brochure, a current copy of which is available from your financial advisor, or you may visit the Raymond James public website for additional information: <https://www.raymondjames.com/wealth-management/advice-products-and-services/banking-and-lending-services/cash-management/cash-sweeps>.

With respect to cash reserves of advisory client accounts, the custodian of the account assets will determine where cash reserves are held. The custodian may offer one or multiple options to different account types (such as non-taxable and managed accounts). In addition, the custodian may, among other things, consider terms and conditions, risks and features, conflicts of interest, current interest rates, the manner by which future interest rates will be determined, and the nature and extent of insurance coverage (such as deposit protection from the Federal Deposit Insurance Corporation ("FDIC") and SIPC). The custodian may change, modify or amend an investment option at any time by providing the client with thirty days advance written notice of such change, modification or amendment. Clients selecting the Raymond James Bank Deposit Program ("RJBDP") option are responsible for monitoring the total amount of deposits held at each Bank in order to determine the extent of FDIC insurance coverage available. Raymond James is not responsible for any insured or uninsured portion of client deposits at any of the Banks.

Raymond James Bank and the interest rate it offers through the RJBDP may differ from the yield on the Client Interest Program ("CIP"), but Raymond James Bank generally earns more than the interest it pays on such balances. Raymond James generally earns a higher rate of interest on CIP balances than the interest rate it pays on such balances. The income earned by Raymond James is in addition to the asset-based fees that Raymond James receives from these accounts. Where an unaffiliated third party acts as custodian of account assets, the client and/or the custodian will determine where cash reserves are held. Additional information about the various cash sweep programs available can be found on the Raymond James public website at: <https://www.raymondjames.com/wealth-management/advice-products-and-services/banking-and-lending-services/cash-management/cash-sweeps>.

Cash balances arising from the sale of securities, redemptions of debt securities, dividend and interest payments and funds received from customers are transferred automatically on a daily basis to the client's cash sweep account. When securities are sold, funds are deposited on the day after the settlement date. Funds placed in a client's account by personal check usually will not be transferred to the sweep account until the second business day following the day that the deposit is credited to the client's investment account. Due to the foregoing practices, Raymond James may obtain federal funds

interest rate prior to the date that deposits are credited to the client's investment account and thus may realize some benefit because of the delay in transferring such funds to their interest-bearing cash sweep account.

### **ADMINISTRATIVE-ONLY INVESTMENTS**

Certain securities may be held in the client's Passport Account and designated "Administrative-Only Investments." There are two primary categories of Administrative-Only Investments: Client-designated and Raymond James-designated. Client-designated Administrative-Only Investments may be designated by financial advisors that do not wish to collect an advisory fee on certain assets, while Raymond James-designated Administrative-Only Investments are designated as such by Raymond James in conformance with internal policy. For example, SAI may make an arrangement with a client that holds a security that we did not recommend or the client wishes to hold for an extended period of time and does not want us to sell for the foreseeable future. In such cases, SAI may elect to waive the advisory fee on this security, but allow it to be held in the client's advisory account - such designations fall into the Client-designated category. Alternatively, Raymond James may determine that certain securities may be held in an advisory account but are temporarily not eligible for the advisory fee (such as for mutual funds purchased with a front-end sales charge through Raymond James within the last two years, new issues and syndicate offerings). Assets designated by Raymond James as temporarily exempt from the advisory fee fall into the Raymond James-designated category.

The following chart illustrates which Passport account types permit the use of Client-Designated and Raymond James-Designated Administrative-Only Investments:

<b>Account Type</b>	<b>Client-Designated</b>	<b>Raymond James-Designated</b>
Non-discretionary (all)	Permitted	Permitted
Discretionary/Non-retirement	Permitted	Permitted
Discretionary/Retirement	Not Permitted	Permitted

PLEASE NOTE: The designation of Client-designated Administrative-Only Investments and the maintenance of such positions in the client's account are not permissible in discretionary Passport retirement accounts (such as IRAs and employer sponsored retirement plans). The underlying premise of this prohibition is that the maintenance of assets in a discretionary Passport retirement account that is not being assessed an advisory fee introduces a potential conflict that SAI's advice may be biased as a result of SAI not being compensated on this asset. As a result, SAI may recommend a course of action in SAI's own interest and not the client's best interest (such as selling the security to increase our compensation). Raymond James has elected to preserve the ability for clients and their financial advisors to designate assets as Client-designated Administrative-Only in their taxable and non-discretionary Passport retirement accounts in order to maintain client choice and avoid the need to maintain a separate account to hold these securities or cash.

Administrative-Only Investments will not be included in the Account Value when calculating applicable asset-based advisory fee rates. For example, a client whose Passport account holds \$750,000 of cash and securities that includes \$150,000 of Administrative-Only Investments will only have the asset-based fee rate assessed based on the \$600,000 Account Value. For clients with multiple fee-based accounts, the Relationship Value will be used to determine the applicable fee rate that will be assessed. However, clients should understand that any assets held as Administrative-Only Investments will not be included in the Relationship Value. Please see the "Aggregation of Related Fee-Based Account" section for additional information on how Raymond James combines related accounts for fee billing purposes.



## **BILLING ON CASH BALANCES**

Effective October 1, 2018, Raymond James will assess advisory fees on cash sweep balances ("cash") held in Passport accounts, provided the cash balance does not exceed 20% of the total Account Value. If the cash balance is greater than 20% of the Account Value as of the last business day of the quarter (the "valuation date"), Raymond James will bill on the full cash balance provided cash did not comprise greater than 20% of the billable Account Value for three (3) consecutive quarterly valuation dates. If the cash balance exceeded 20% of the Account Value for three (3) consecutive quarterly valuation dates, the amount in excess of 20% is excluded from billing. For example, a Passport account that held 30% of the Account Value for three (3) consecutive billing valuation dates (March 31st, June 30th, and September 30th) would have the amount in excess of 20% excluded from the Account Value in which advisory fees are applied. For simplicity of illustration, assuming an account was valued at \$100,000 for all three (3) quarterly billing periods, with \$30,000 held in cash, the September 30th valuation date would exclude \$10,000 of the cash from the Account Value when assessing the advisory fee. This fee billing provision (or "Cash Rule") is intended to equitably assess advisory fees to client assets for which an ongoing advisory service is being provided; the exclusion of excess cash from the advisory fee is intended to benefit clients holding substantial cash balances (as a percentage of the total individual Account Value) for an extended period of time. Clients should understand that the portion of the account held in cash will experience negative performance if the applicable advisory fee charged is higher than the return received on the cash sweep balance. For Discretionary Passport accounts, the Cash Rule may pose a financial disincentive to SAI as the portion of cash sweep balances in excess of 20% will be excluded from the asset based fee charged to the account. This may cause SAI to reallocate a client account from cash to advisory fee eligible investments, including money market funds, or to recommend against raising cash, in order to avoid the application of this provision and therefore receive a fee on the full account value. However, clients that have delegated investment discretion to SAI may direct us to raise cash by selling investments or hold a predetermined percentage of their account in cash at any time. The Cash Rule is applicable only to cash sweep balances and, therefore, non-sweep money market funds would not result in excess "cash" balances being excluded from the asset based advisory fee calculation. Cash balances are generally expected to be a small percentage of the overall account value in the American Funds, EHNW, Freedom, Freedom UMA, MDA, RJCS, RJRP and Russell managed accounts and therefore these accounts are not subject to the Cash Rule. Billing on cash balances, particularly when the cash balance is maintained for an extended period of time or comprises a significant portion of the Account Value, may create a financial incentive for us to recommend maintenance of this cash versus investing in an otherwise advisory fee-eligible security. For example, it's generally expected that the advisory fee will be higher than the interest a client will earn on this cash balance through their sweep account or the return earned on money market funds, so the client should expect to achieve a negative return on this portion of their account, although such cash balances will not be subject to market risk (that is, risk of loss) typically associated with securities investments. As a result, clients should periodically re-evaluate whether their maintenance of a cash balance is appropriate in light of their financial situation and investment goals, and should understand that this cash may be held outside of their advisory account and not be subject to advisory fees. For cash sweeps in IRAs and ERISA plans, Raymond James uses its bank affiliate exclusively as a depository. Please see "Investment of Cash Reserves" below for additional information on cash sweep options.

## **ADDITIONAL EXPENSES NOT INCLUDED IN THE ASSET-BASED ADVISORY FEE**

You may also incur charges for other account services provided by Raymond James not directly related to the advisory, execution, and clearing services provided including, but not limited to, IRA custodial fees, safekeeping fees, charges/interest for maintenance of margin and/or short positions, and fees for legal or courtesy transfers of securities. For a complete list of account service charges, please visit Raymond James's public website:

[http://www.raymondjames.com/services\\_and\\_charges.htm](http://www.raymondjames.com/services_and_charges.htm) (Client Account Services and Charges).

Certain open-end mutual funds that may be acquired by you, may, in addition to assessing management fees, internally assess a distribution fee pursuant to section 12(b)-1 of the Investment Company Act of 1940, or an administrative or service fee ("trail"). Trails are included in the calculation of operating expenses of a mutual fund and are disclosed in the fund prospectus. Your IAR may receive trails in addition to any advisory fee that may be assessed in your account. The existence of a 12(b)-1 fee is disclosed in the mutual fund prospectus. You should understand that the annual advisory fees charged in the Passport program are in addition to the management fees and operating expenses charged by open-end, closed-end and exchange-traded funds. To the extent that you intend to hold fund shares for an extended period of time, it may be more economical for you to purchase fund shares outside of these programs. You may be able to purchase mutual funds directly from their respective fund families without incurring the Registrant's advisory fee or, where applicable, transaction fees. When purchasing directly from fund families, you may incur a front or back-end sales charge. You should also understand that the shares of certain mutual funds offered in these programs may impose short-term trading charges (typically 1%-2% of the amount originally invested) for redemptions generally made within short periods of time. These short-term charges are imposed by the funds (and not SAI) to deter "market timers" who trade actively in fund shares. You should consider these short-term trading charges when selecting the program and/or mutual funds in which they invest. These charges, as well as operating expenses and management fees, may increase the overall cost to you by 1%-2% (or more). More information is available in each fund's prospectus.

You should be aware that exchange traded funds ("ETFs") incur a separate management fee, typically 0.20%-0.40% of the fund's assets annually (although individual ETFs may have higher or lower expense ratios), which is assessed by the fund directly and not by SAI. This management fee is in addition to the ongoing advisory fee assessed by SAI, and will generally result in clients which utilize a Separately Managed Account Investment Strategy that invests in ETFs paying more than clients utilizing one that does not invest in ETFs, without taking into effect negotiated asset-based fee discounts, if any. Certain ETFs may be classified as partnerships for U.S. federal income tax purposes, which may result in unique tax treatment, including Schedule K-1 reporting. Prospective or existing RJCS, Freedom clients should consult their tax adviser for additional information regarding the tax consequences associated with the purchase, ownership and disposition of such investments. Additional information is also available in the ETF prospectus, which is available upon request.

You should be aware that only those mutual fund companies which RJFS has a selling agreement with will be available for purchase within the Passport program, and are generally limited to those fund companies that provide RJFS and its affiliates marketing service and support fees. As a result, not all mutual funds available to the investing public will be available for investment. However, RJFS has selling agreements with over 300 fund companies, offering over 9,000 separate mutual funds for potential investment.

## **Item 6 Performance-Based Fees**

SAI does not accept performance-based fees or participate in side-by-side management. Performance-based fee arrangements involve the payment of fees based on a share of capital gains or capital appreciation of a client's account. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees.

SAI's fees are calculated as described in the *Fees and Compensation* section above. Fees are not based on a share of the capital gains or capital appreciation of managed securities.

SAI does not use a performance-based fee structure because of the potential conflict of interest.



## **Item 7 Types of Clients**

### **Description**

SAI may provide investment advice to individuals, investment companies, pension and profit sharing plans, trusts, estates, or charitable organization and corporations or business entities. Client relationships vary in scope and length of service.

### **Account Minimums**

SAI generally imposes a minimum of \$50,000 to open and maintain an advisory account, which SAI may waive or lower in its sole discretion. SAI may also use, in its discretion, household client accounts to meet the stated minimum.

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

### **Methods of Analysis**

Investment strategies and advice may vary depending upon each client's specific financial situation. As such, SAI determines investments and allocations based upon each client's predefined objectives, risk tolerance, time horizon, financial horizon, financial information, liquidity needs and other various suitability factors. Client restrictions and guidelines may affect the composition of the portfolio.

The main sources of information include financial newspapers and magazines, research materials prepared by others, corporate rating services, annual reports, prospectuses, filings with the Securities and Exchange Commission, and company press releases.

Other sources of information that SAI may use include industry seminars and conferences, websites, newsletters, communications with other planners and professionals that provide financial and advisory services and extensive research and reference on the internet such as Morningstar mutual fund information and Morningstar stock information.

SAI does not represent, warrant or imply that the services or methods of analysis employed by SAI can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines.

### **Investment Strategies**

The primary investment strategy used on client accounts is a globally diversified portfolio, typically utilizing individual securities, ETFs, Open-End Mutual Funds, and/or Closed-End Mutual Funds.

The investment strategy for a specific client is based upon the objectives stated by the client during consultations. The client may change these objectives at any time.

Other strategies may include long-term purchases, short-term purchases, margin transactions, and option writing (including covered options, uncovered options or spreading strategies) and dollar cost averaging.

Clients should understand that more sophisticated investment strategies such as short sells and margins may be offered in the Passport program. Fees for advice and execution on these securities are based on the total asset value of the account. While a negative amount may show on your statement for the margined security as the result of a lower net market value, the amount of the fee is based on the absolute market value. This could create a conflict of interest where your financial

adviser benefits from the use of margin creating a higher absolute market value and therefore receive a higher fee. The use of margin also results in interest charges in addition to all other fees and expenses associated with the security involved.

### **Risk of Loss**

All investment programs have certain risks that are borne by the investor. SAI's investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks:

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

## **Item 9 Disciplinary Information**

### **Legal and Disciplinary**

SAI is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of SAI's advisory business or the integrity of our management. SAI does not have any required disclosures under this item.

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

### **Licensed Insurance Agents**

Certain personnel of Shobe & Associates, Inc. are licensed to sell insurance and annuity products to clients. These individuals will earn commission-based compensation for selling insurance products, including insurance products they sell to you. As part of their compensation agreements, any associated commissions are assigned to SAI's affiliated operations company, Financial Benefits, Inc. These commissions are separate from SAI's advisory fees. Clients are always free to buy insurance

products or choose the sources through which they implement investment advisory recommendations. The time committed to different activities varies from individual to individual. See the Fees and Compensation section in this brochure for more information on the compensation received by insurance agents who are affiliated with our firm. The client is under no obligation to purchase insurance products through any employee or Raymond James Financial Services, Inc. and is free to choose the sources through which to implement investment advisory recommendations. The time spent by SAI employees in such capacities varies from individual to individual. See the *Fees and Compensation* section in this brochure for more information on the compensation received by insurance agents who are affiliated with our firm.

### **Arrangement with Affiliated Entity**

SAI is affiliated with Financial Benefits, Inc. ("FBI"), through common control and ownership. Financial Benefits, Inc. is primarily an operations company that provides facilities, leases equipment, compensation and benefits, to all affiliated staff. Advisory services and associated compensation are separate functions provided by SAI. SAI pays a fee to FBI for a share of all operational expenses incurred by FBI. SAI does not recommend that you use the services of our affiliate. Our advisory services are separate and distinct from the compensation paid to our affiliate for their services.

### **Affiliations**

Insurance advisory services for non-commissionable life insurance products on a fee basis may also be provided. The client pays a fee to SAI for the analysis and implementation of life insurance products not available through traditional channels. These arrangements are fully disclosed to the client in writing.

Certain personnel of SAI are Registered Principals and Registered Representatives, licensed to sell securities through RJFS. RJFS is an affiliate of Raymond James Financial, Inc. RJFS clears its securities transactions on a fully disclosed basis through Raymond James & Associates, Inc. (member NYSE/SIPC), which is also an affiliate of Raymond James Financial, Inc. In this capacity, these individuals are involved in the sale of securities of various types, including, but not limited to stocks, bonds, non-registered alternative investments and mutual funds. These individuals will receive normal and customary commissions as a result of securities transactions. In addition, they could receive commissions as a result of selling and servicing insurance products offered by various insurance carriers.

Receipt of commissions could present a conflict of interest because persons providing advice on behalf of SAI may have an incentive to recommend investment or insurance products based on the compensation, however, SAI endeavors, at all times, to place the client's interests first when making recommendations regarding insurance and investments. Moreover, the client is under no obligation, contractually or otherwise, to purchase securities products and/or insurance products through any person affiliated with our firm.

SAI is solely responsible for investment advice rendered. Advisory services are provided separately and independently of the broker/dealer.

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

### **Code of Ethics**

SAI strives to comply with applicable laws and regulations governing our practices. Therefore, SAI's Code of Ethics includes guidelines for professional standards of conduct for persons associated with SAI. SAI's goal is to protect your interests at all times and to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing with you. All persons associated with SAI are expected to adhere strictly to these guidelines. Persons associated with SAI are also required to report any violations of our Code of Ethics. Additionally, SAI maintains and enforces written policies reasonably designed to prevent the misuse or dissemination of material, non-public information about you or your account holdings by persons associated with SAI.

Clients or prospective clients may obtain a copy of SAI's Code of Ethics by contacting us at the telephone number on the cover page of this brochure.

### **Participation or Interest in Client Transactions and Personal Trading**

From time to time, SAI or its associates may buy or sell securities that are recommended to its clients or securities in which its clients are invested. These associates do not solicit one another or other clients to participate in such investments. It is SAI's policy that SAI's associates do not have priority over any client account in the purchase or sale of securities. SAI's associates must comply with the provisions of the SAI Compliance Manual and Code of Ethics.

## **Item 12 Brokerage Practices**

### **Selecting Brokerage Firms**

IARs are Registered Representatives of Raymond James Financial Services, Inc. (RJFS) and will recommend RJFS to advisory clients for plan implementation and brokerage services. Registered Representatives are subject to FINRA Conduct Rule 3280 that restricts them from conducting securities transactions away from RJFS, the broker/dealer with which they are affiliated. This relationship must be, and is, always disclosed to SAI's clients. Implementation of the financial plan through these registered representatives could present a conflict of interest to the extent that these individuals would receive normal and customary commissions as Registered Representatives of RJFS or as licensed insurance agents resulting from any securities or insurance transactions.

It may be the case that RJFS charges a higher fee than another broker/dealer charges for a particular type of service. Clients may utilize the broker/dealer of their choice and have no obligation to purchase or sell securities through RJFS.

### **Best Execution**

RJFS has systems in place to review client trades on a daily basis to help assure the best possible execution of these transactions, including timely execution, clearance and settlement capabilities that are quite competitive within the industry. RJFS provides resources for error resolution, provides trade confirmations and easily understood client statements. In the event of a trade error that creates a profit, we will ask the client if they would like us to keep the trade as is and retain the profit, or correct the trade and have the profit remain with the custodian. In the event of a trade error that creates a loss, the client is always made whole.

SAI has a due diligence system in place whereby, on a periodic basis, key members of SAI who are involved in the order placement and execution process, perform an analysis of RJFS execution based on a number of qualitative factors in comparison to that of other broker-dealers. A comparison of

fees charged by RJFS, based on categories including (1) Retirement account fees; (2) Outgoing Wire fees; (3) Check Disbursement fees, both standard and overnight; (4) Outgoing Transfer fees; (5) Equities, ETFs, Closed-end Fund transaction fees; (6) Fixed Income, Mutual Funds, Options, UITs by transaction; and (7) Maximum Advisory Account fees, are compared with those same fees charged by at least two other broker-dealers. Additionally, a Best Execution Evaluation checklist is completed, rating RJFS best execution against other broker-dealers.

### **Soft Dollars**

SAI and its affiliated IARs have no soft dollar arrangements.

### **Order Aggregation**

SAI currently does not combine or aggregate multiple orders for shares of the same securities purchased for advisory accounts SAI manages because SAI invests primarily in Mutual Funds. Mutual Fund transactions are executed at the next available net asset value, which is calculated after the market closes.

## **Item 13 Review of Accounts**

### **Periodic Reviews**

Account reviews are performed systematically by advisors and are performed more frequently when market conditions dictate.

### **Review Triggers**

Other conditions that may trigger a review are changes in the tax laws, new investment information, and changes in a client's own situation.

### **Regular Reports**

Account reviewers are members of SAI's Investment Committee. They are instructed to consider the client's current security positions and the likelihood that the performance of each security will contribute to the investment objectives of the client.

Clients receive periodic communications on at least an annual basis, but generally these communications are more frequent. Account Summary Reports (ASRs) are updated and provided to Financial Advisory clients. The written updates may include a net worth statement, portfolio statement, and a summary of objectives and progress towards meeting those objectives.

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

As disclosed under the *Other Financial Industry Activities and Affiliations* section in this brochure, persons providing investment advice on behalf of SAI are licensed insurance agents, and are registered representatives with Raymond James Financial Services, a securities broker-dealer, and a member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation. For information on the conflicts of interest this presents, and how we address these conflicts, refer to the *Other Financial Industry Activities and Affiliations* section.

SAI does not receive any compensation from any third party in connection with providing investment advice to you nor does SAI compensate any individual or firm for client referrals.

Certain mutual funds, in addition to the management fees and operating expenses noted above, pay Raymond James 12b-1 fees, also known as "trails." In certain circumstances, Raymond James will choose to make share classes that pay 12b-1 fees or trails available in investment advisory programs

even if a less costly share class is available, due to the ability for Raymond James to earn marketing and education support payments from the fund adviser or its affiliates. These marketing and education support payments benefit Raymond James but do not increase costs to the client. Raymond James's receipt of 12b-1 fees from fund companies varies and is on either a monthly or a quarterly basis. Where 12b-1 share classes are used, 12b-1 fees are credited bi-monthly to the client's accounts, after they are received by Raymond James. However, 12b-1 fees received by Raymond James on share classes that are not eligible for the advisory fee, such as class C shares designated as Administrative-Only Investments, will not be credited to the client's account as described above, but instead will be retained by Raymond James.

Many mutual funds also assess sales charges on mutual fund transactions (the mutual fund equivalent to a commission, also known as a "load"), a portion of which is paid by the fund company to compensate broker-dealers and their financial advisors for providing financial advice and client service. Sales charges may apply when you make your investment (known as a "front-end sales charge" or "front-end load"), or when you redeem your investment (known as a "back-end sales charge" or "back-end load"), or in the form of an on-going charge that is assessed against fund assets (these on-going charges are the 12b-1 fees).

Certain mutual fund shares transferred to Raymond James to fund a new account or supplement an existing account will be subject to Raymond James's billing procedures, including those related to 12b-1 fees or "trails," Administrative-Only Investments, or conversion processes (for example, C shares held for at least one year, and share classes designated for use by managed account programs), as applicable.

Raymond James has established conversion processes to exchange class C shares to a lower cost share class once the class C shares have been held for at least one year or are otherwise no longer subject to the fund company's contingent deferred sales charge (or CDSC, which is typically 1% of the amount invested). The one year holding period is the required minimum holding period typically established by fund companies before they become eligible for exchange to another share class without being subject to the CDSC. However, certain funds may require that investors hold the Class C shares greater than or less than one year before these shares are CDSC-free. CDSC-free class C shares held in advisory program accounts will automatically be exchanged, on a tax free basis, to the recommended share class by Raymond James on a monthly basis. For example, a client that holds \$50,000 in class C shares purchased 6 months ago that subsequently transfers these shares to their Passport account will not be assessed an advisory fee for 6 months, although the shares will be subsequently exchanged by Raymond James to the recommended share class the month after they are CDSC-free, at which point the newly exchanged shares will be subject to advisory fees.

In the event a client purchased a share class designated as Administrative-Only (or "ineligible") that is subsequently exchanged into a share class that is otherwise eligible for advisory fees (for example, class C shares held for a year and exchanged into a no-load or load-waived class A share as described above), the Two Year Rule will not apply, provided the client held the ineligible share class at least one year before converting to an eligible share class and the original load was 1.05% or less. Clients should understand that this Two Year Rule may create a financial incentive for their financial advisor to recommend the client exchange to an advisory fee-eligible share class. However, per the above example of exchanging C shares to load-waived A shares, this incentive is mitigated by requiring that the C shares must be held for at least one year before they will be allowed to be exchanged for A shares, where the load associated with C shares is typically 1%. The Two Year Rule is expressly intended to avoid assessing advisory fees on share classes assessed a load in excess of 1%, where the maximum load is typically in excess of 4%.



Refer to the *Brokerage Practices* section above for disclosures on research and other benefits SAI may receive resulting from our relationship with your account custodian.

## **Item 15 Custody**

### **Account Statements**

SAI does not directly debit advisory fees from your account and SAI does not exercise custody over your funds or securities. Your funds and securities will be held with a bank, broker-dealer, or other qualified custodian. You will receive account statements from the qualified custodian(s) holding your funds and securities. If you have a question regarding your account statement or if you did not receive a statement from your custodian, contact your custodian directly.

## **Item 16 Investment Discretion**

### **Discretionary Authority for Trading**

SAI accepts discretionary authority from its clients, in writing, to manage securities accounts on their behalf. With this authority, SAI may determine, without obtaining specific client consent, the securities to be bought or sold, and the amount of the securities to be bought or sold. If discretionary authority has not been given, SAI consults with the client prior to each trade to obtain concurrence.

Discretionary trades are placed through RJFS. SAI does not receive any portion of the transaction fees or commissions paid by the client to the custodian on trades.

Discretionary trading authority facilitates placing trades in accounts on behalf of clients so that the approved investment policy may be implemented promptly.

## **Item 17 Voting Client Securities**

### **Proxy Votes**

SAI does not vote proxies on securities. Clients are expected to vote their own proxies.

## **Item 18 Financial Information**

### **Financial Condition**

SAI does not have any financial condition or impairment that will preclude the firm from meeting contractual commitments to clients.

Due to the economic uncertainties surrounding the current COVID-19 pandemic, we believed it was necessary and prudent for Financial Benefits, Inc. (Shobe & Associates Inc.'s related operations company) to apply for, and accept, a Payroll Protection Program loan offered by the Small Business Administration to support ongoing operations of our companies. While Shobe & Associates, Inc. did not receive any of those funds directly, Financial Benefits, Inc. did receive \$281,000 on April 17, 2020, which was part of the economic relief provided under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Financial Benefits is eligible to use the funds as permitted and may apply for forgiveness under the rules of the CARES Act.

SAI does not serve as a custodian for client funds or securities, and does not require prepayment of fees of more than \$1,200 per client, and six months or more in advance. Therefore, SAI is not required to include a financial statement with this brochure.

SAI has not filed a bankruptcy petition at any time in the past ten years.

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

SAI is a federally registered investment adviser; therefore, we are not required to respond to this item.

## **Item 20 Additional Information**

### **Trade Errors**

In the event a trading error occurs in your account, SAI's policy is to restore your account to the position it should have been in had the trading error not occurred. Depending on the circumstances, corrective actions may include canceling the trade, adjusting an allocation, and/or reimbursing the account.

### **Class Action Lawsuits**

SAI may assist you, in conjunction with your legal counsel or other professionals, in filing claims with the claims administrator to participate in any settlement proceeds related to class action settlements involving a security held in your portfolio. SAI may also work with your legal counsel to determine whether you are eligible to participate in class action litigation to recover damages on your behalf for injuries as a result of actions, misconduct, or negligence by issuers of securities held in your portfolio.

### **IRA Rollover Considerations**

As part of SAI's investment advisory services to you, SAI may recommend that you withdraw the assets from your employer's retirement plan and roll the assets over to an individual retirement account ("IRA") that we will manage on your behalf. If you elect to roll the assets to an IRA that is subject to SAI's management, SAI may charge you an asset based fee as set forth in the agreement you executed with SAI. This practice may present a conflict of interest because persons providing investment advice on SAI's behalf have an incentive to recommend a rollover to you for the purpose of generating fee based compensation rather than solely based on your needs. You are under no obligation, contractually or otherwise, to complete the rollover. Moreover, if you do complete the rollover, you are under no obligation to have the assets in an IRA managed by SAI.

Many employers permit former employees to keep their retirement assets in their company plan. Also, current employees can sometimes move assets out of their company plan before they retire or change jobs. In determining whether to complete the rollover to an IRA, and to the extent the following options are available, you should consider the costs and benefits of:

1. Leaving the funds in your employer's (former employer's) plan.
2. Moving the funds to a new employer's retirement plan.
3. Cashing out and taking a taxable distribution from the plan.
4. Rolling the funds into an IRA rollover account.

Each of these options has advantages and disadvantages and before making a change SAI encourages you to speak with your CPA and/or tax attorney.

If you are considering rolling over your retirement funds to an IRA for SAI to manage here are a few points to consider before you do so:

1. Determine whether the investment options in your employer's retirement plan address your needs or whether you might want to consider other types of investments.
  - a. Employer retirement plans generally have a more limited investment menu than IRAs.
  - b. Employer retirement plans may have unique investment options not available to the public such as employer securities, or previously closed funds.



2. Your current plan may have lower fees than our fees.
  - a. If you are interested in investing only in mutual funds, you should understand the cost structure of the share classes available in your employer's retirement plan and how the costs of those share classes compare with those available in an IRA.
  - b. You should understand the various products and services you might take advantage of at an IRA provider and the potential costs of those products and services.
3. SAI's strategy may have higher risk than the option(s) provided to you in your plan.
4. Your current plan may also offer financial advice.
5. If you keep your assets titled in a 401k or retirement account, you could potentially delay your required minimum distribution beyond age 70.5.
6. Your 401k may offer more liability protection than a rollover IRA; each state may vary.
  - a. Generally, federal law protects assets in qualified plans from creditors. Since 2005, IRA assets have been generally protected from creditors in bankruptcies. However, there can be some exceptions to the general rules so you should consult with an attorney if you are concerned about protecting your retirement plan assets from creditors.
7. You may be able to take out a loan on your 401k, but not from an IRA.
8. IRA assets can be accessed any time; however, distributions are subject to ordinary income tax and may also be subject to a 10% early distribution penalty unless they qualify for an exception such as disability, higher education expenses or the purchase of a home.
9. If you own company stock in your plan, you may be able to liquidate those shares at a lower capital gains tax rate.
10. Your plan may allow you to hire SAI as the manager and keep the assets titled in the plan name.

It is important that you understand the differences between these types of accounts and to decide whether a rollover is best for you. Prior to proceeding, if you have questions contact your investment adviser representative, or call SAI's main number as listed on the cover page of this brochure.

## **Item 21 Business Continuity Plan**

### **General**

SAI has a Business Continuity Plan in place that provides detailed steps to mitigate and recover from the loss of office space, communications, services or key people.

### **Disasters**

The Business Continuity Plan covers natural disasters such as hurricane, flooding, etc., as well as man-made disasters such as loss of electrical power, fire, bomb threat, phone outage, internet outage, other national disasters, etc. Electronic files are backed up daily and archived offsite.

### **Alternate Offices**

Alternate offices are identified to support ongoing operations in the event the main office is unavailable. It is SAI's intention to remain in contact with clients, to the extent possible by the most effective means possible at the time, and to make clients aware of the moving of SAI's office to an alternate location.

### **Loss of Key Personnel**

SAI has a Business Continuation Agreement in place in the event of the death of a key employee. SAI's Board of Directors will make decisions about delegation of responsibilities of the key person, and that will be communicated both to SAI associates and to clients.

## **Item 22 Information Security Program**

### **Information Security**

SAI maintains an information security program to reduce the risk that your personal and confidential information may be breached.

### **Privacy Notice**

SAI is committed to maintaining the confidentiality, integrity and security of the personal information that is entrusted to SAI.

The categories of nonpublic information that SAI collects from you may include information about your personal or business finances, information about your health to the extent that it is needed for the financial planning process, information about transactions between you and third parties, and information from consumer reporting agencies, e.g., credit reports. SAI restricts internal access to your personal financial information to only those employees who need to know information in order to provide service or products in order to help you meet your financial goals.

With your permission, SAI discloses limited information to attorneys, accountants, and mortgage lenders with whom you have established a relationship. You may opt out from SAI sharing information with these nonaffiliated third parties by notifying SAI at any time by telephone, mail, fax, email, or in person.

SAI maintains a secure office to ensure that your information is not placed at unreasonable risk. SAI employs a firewall barrier, secure data encryption techniques and authentication procedures in SAI's computer environment.

SAI does not provide your personal information, or that of any former client, to mailing list vendors or solicitors. SAI requires strict confidentiality in our agreements with unaffiliated third parties that require access to your personal information, including financial service companies, consultants, and auditors. Federal and state securities regulators may review SAI's records and your personal records as permitted by law.

Credit card information, which you may have furnished to SAI for the purpose of debiting advisory fees, is password protected and maintained with the highest level of security.

Personally identifiable information about you will be maintained while you are a client, and for the required period thereafter that records are required to be maintained by federal and state securities laws. After that time, information may be destroyed.

SAI will notify you in advance if our privacy policy is expected to change. SAI is required by law to deliver this *Privacy Notice* to you annually, in writing.