

# **M.K. Brown Wealth Advisory**

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## **FORM ADV PART 2A BROCHURE**

This brochure provides information about the qualifications and business practices of M.K. Brown Wealth Advisory. If you have any questions about the contents of this brochure, please contact us at 937-298-8904. 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 M.K. Brown Wealth Advisory is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for M.K. Brown Wealth Advisory is 121269.

M.K. Brown Wealth Advisory is a registered investment adviser. Registration with the Ohio Division of Securities or any state securities authority does not imply a certain level of skill or training.

## **Item 2 Summary of 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 amendment dated March 12, 2020, we have the following material changes to report:

We amended the ADV to disclose that we offer the Ambassador Program. Please see Item 4 for details about this program.

We amended the ADV to disclose that we offer a number of Raymond James' managed wrap fee programs under a subadvisory agreement with Raymond James.

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## Item 4 Advisory Business

M.K. Brown Wealth Advisory, formerly M.K. Brown & Associates, LLC, is a fee-based registered investment adviser based in Kettering, OH. Our firm was founded in 1983 and is organized as a limited liability company under the laws of the State of Ohio. We have been providing a full range of planning and investment advisory services since 1986. Martin K. Brown is our principal owner.

As used in this brochure, the words "we", "our" and "us" refer to M.K. Brown Wealth Advisory and the words "you", "your" and "client" refer to you as either a client or prospective client of our firm. Also, you may see the term Associated Person throughout this brochure. As used in this brochure, our Associated Persons are our firm's officers, employees, and all individuals providing investment advice on behalf of our firm.

Certain persons affiliated with our firm are also registered representatives of Raymond James Financial Services, Inc. ("RJFS"), a wholly owned subsidiary of Raymond James Financial, Inc. RJFS is a broker-dealer and member firm of the Financial Industry Regulatory Authority, Inc. ("FINRA") and the Securities Investors Protection Corporation ("SIPC"). RJFS is primarily in the business of selling securities and other investments including annuity, fixed and life insurance products.

RJFS is also affiliated with Raymond James & Associates, Inc. ("RJA"), a broker-dealer (member NYSE/SIPC) and an investment adviser registered with the Securities and Exchange Commission ("SEC"). References to Raymond James throughout this document indicates a combination of companies referenced above and/or that are part of the Raymond James Financial, Inc., family.

### **Ambassador Program**

Our Company offers the Ambassador Program to its clients. The Ambassador program is a wrap fee investment advisory account offered and administered by RJFSA. We will manage your account on a discretionary (provided certain qualifications are met) according to your objective. Ambassador offers you the ability to pay an asset-based advisory fee which includes transaction costs within the advisory fee, in lieu of a commission for each investment transaction within the account. RJFSA receives a portion of the fee. The client is provided with quarterly portfolio summaries and performance analyses. This type of account can be utilized to buy, sell or otherwise trade stocks, bonds, mutual funds (at net asset value), exchange traded funds, options and preferred stocks. There are no transaction charges in Ambassador accounts. (For further information, refer to the RJFSA Wrap Fee Program Brochure). If you participate in our wrap fee program, you will pay our firm a single fee, which includes our money management fees, certain transaction costs, and custodial and administrative costs. We receive a portion of the wrap fee for our services. We are the manager, but not the sponsor of the Ambassador Program. RJFSA is the sponsor of the Ambassador program and as such, in addition to receiving our disclosure brochure, you will also receive RJFSA's wrap fee brochure and other disclosures. The overall cost you will incur if you participate in the Ambassador wrap fee program may be higher or lower than you might incur by separately purchasing the types of securities available in the program. We are also provided discretionary authority with respect to choosing which program the client will be invested in.

### **Third Party Advisory Services**

We offer a number of RJA's managed wrap programs, including, Freedom and RJA Consulting, under a subadvisory agreement with RJA. We work with you to choose an appropriate program and help you to select the managers, strategies, or disciplines within the programs, as applicable. Once the program is selected by you, RJA is appointed as a discretionary investment adviser under the appropriate advisory agreement. In this way, RJA acts as a subadviser in directly (or indirectly through other

subadvisers) managing your assets through the selected program. Both RJA (and its affiliates and agents, and other subadvisers, as applicable) and M.K. Brown Wealth Advisory, LLC, receive a portion of the advisory fee paid by you for these services.

### **Types of Investments**

We primarily offer advice on equity securities, mutual fund shares and Exchange Traded Funds (ETFs). Additionally, we may recommend other types of investments since each client has different needs and different tolerances for risk. We may also advise you on any type of investment held in your portfolio at the inception of our advisory relationship, or on specific types of investments at your request.

You may request that we refrain from investing in particular securities or certain types of securities. You must provide these restrictions to our firm in writing.

### **Assets Under Management**

As of February 2, 2021, we provide continuous management services for \$132,000,000 in client assets on a discretionary basis.

## **Item 5 Fees and Compensation**

### **Ambassador Program Fees**

Our fee for portfolio management services is based on a percentage of the assets in your account and is set forth in the following annual fee schedule:

#### *Ambassador Fee Investments:*

<b>Fee-Based Relationship Value</b>	<b>Annualized Fee</b>
Up to \$1 million	2.25%
\$1 million up to \$2 million	2.00%
\$2 million up to \$5 million	1.75%
\$5 million up to \$10 million	1.50%
\$10 million and up	1.25%

Our fees are negotiable. The minimum investment is \$25,000 for Ambassador accounts. 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 on the last business day of the previous calendar quarter, and becomes due the following business day. Client authorizes and directs RJA as Custodian to deduct asset-based fees from your account; you further authorize and direct the Custodian to send a quarterly statement to that shows all amounts disbursed from your account, including fees paid to us.

Where you are charged a wrap fee, you are not charged separate fees for the different components of the services provided by in the Ambassador Program. Our firm pays all trade expenses of trades placed on your behalf. Our Program fee includes the fee we pay to any portfolio manager for their management of your account and RJFSA transaction or execution costs. Assets in each of your account(s) are included in the fee assessment unless specifically identified in writing for exclusion.

As a client, you should be aware that the wrap fee charged by our firm may be higher (or lower) than those charged by others in the industry, and that it may be possible to obtain the same or similar services from other firms at lower (or higher) rates. A client may be able to obtain some or all of the

types of services available through our firm's wrap fee program on an individual basis through other firms and, depending on the circumstances, the aggregate of any separately paid fees may be lower or higher than the annual fees shown above.

#### Wrap Fee Disclosures:

- The benefits under a wrap fee program depend, in part, upon the size of the Account, the management fee charged, and the number of transactions likely to be generated in the account. For example, a wrap fee program may not be suitable for accounts with little trading activity. In order to evaluate whether a wrap fee program is suitable for you, you should compare the fee and any other costs of the wrap fee program with the amounts that would be charged by other advisers, broker-dealers, and custodians, for advisory fees, brokerage and other execution costs, and custodial services comparable to those provided under the wrap fee program.
- In considering the investment programs described in this brochure, you should be aware that participating in a wrap fee program may cost more or less than the cost of purchasing advisory, brokerage, and custodial services separately from other advisers or broker-dealers.
- Our firm receives compensation as a result of your participation in the Program. This compensation may be more than the amount our firm would receive if you paid separately for investment advice, brokerage, and other services.

For mutual funds that provide RJFS with a 12b-1 fee, that fee is credited to the client account as a fee offset. Such mutual fund related fees are paid only when provided in the mutual fund's prospectus. As a registered representative of RJFS, our IARs do not receive any part of these payments.

Mutual funds may, from time to time, direct trades through RJFS as consideration for the broker/dealer processing mutual fund transactions for you. You may also incur charges for other account services provided by RJA not directly related to the execution and clearing of transactions. These include: IRA custodial fees, safekeeping fees, interest charges on margin loans, and fees for legal or courtesy transfers of securities.

The annual advisory fees charged in the Ambassador programs are in addition to the management fees and operating expenses charged by open-end, closed-end and/or exchange traded funds. If you intend to hold fund shares for an extended period of time, it may be less expensive for you to purchase fund shares outside of these programs. You may be able to purchase mutual funds directly from the respective fund families without incurring our advisory fee.

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 made within a short period of time. These short-term charges are imposed by the mutual funds (and not RJFS or AWM) to deter "market timers" who trade actively in the fund's shares. These charges, operating expenses and management fees may increase the overall cost to the client by 1%-2% (or more) and are detailed in each fund's prospectus.

#### **ADMINISTRATIVE-ONLY ASSETS**

Certain securities may be held in your Ambassador 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 our firm should we decide not to collect an advisory fee on certain assets, while Raymond James-designated Administrative-Only Investments are designated by Raymond James in conformance with internal policy. For example, we 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 wish for us to sell for the foreseeable future. In such cases we 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.

PLEASE NOTE: Due to Department of Labor ("DOL") regulations, the designation of Client-designated Administrative-Only Investments and the maintenance of such positions in the client's account are not permissible in DOL-impacted retirement accounts (such as IRAs and employer sponsored retirement plans). The underlying premise of this prohibition is that the maintenance of assets in an advisory account that are not being assessed an advisory fee introduces a potential conflict that our advice may be biased as a result of us not being compensated on this asset. As a result, we may recommend a course of action in our and not the client's 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 non-DOL impacted accounts in order to maintain client choice and avoid the need to maintain a separate account to hold these securities or cash. Nevertheless, while Raymond James cannot accommodate this level of flexibility in DOL-impacted retirement accounts, clients can choose to maintain securities or cash in their brokerage account that they do not wish to be assessed an advisory fee.

Administrative-Only Investments will not be included in the Account Value when calculating applicable asset-based advisory fee rates. For example, a client whose Ambassador 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**

Raymond James will assess advisory fees on cash sweep and foreign currency balances ("cash") held in Ambassador accounts. If the cash balance exceeds 20% of the Account Value as of the last business day of the quarter ("the valuation date") for three (3) consecutive quarterly valuation dates, the amount in excess of 20% is excluded from billing. For example, an Ambassador 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.

The Cash Rule may pose a financial disincentive to a financial advisor 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 a financial advisor 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. Clients may direct their financial advisor 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 and foreign currency balances and, therefore, nonsweep money market funds would not result in excess "cash" balances being excluded from the asset based advisory fee calculation. Within the Ambassador accounts, the Cash Rule applies on an individual account basis. Your financial advisor may receive more compensation by not applying the Cash Rule at the household level and instead electing to do so at the account level.

### **Investment of Cash Reserves**

Raymond James has established a system in which cash reserves "sweep" daily to and from your 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 your 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.

### **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, visit Raymond James's public website:

[http://www.raymondjames.com/services\\_and\\_charges.htm](http://www.raymondjames.com/services_and_charges.htm).

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"). Such fees are included in the calculation of operating expenses of a mutual fund and are disclosed in the fund prospectus. Advisory representatives that are also registered representatives of RJFS will receive this fee 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 Ambassador programs 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 an advisory fee. 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 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. This management fee is in addition to the ongoing advisory fee assessed us, and will generally result in clients which utilize an SMA Manager or 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, EHNW, Freedom or Freedom UMA 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.

Alternative Investments refers to securities products that serve as alternatives to more traditional asset classes and may include investment products such as hedge funds, private equity funds, private real estate funds and structured products. Advisory representatives that are also registered representatives

of RJFS may offer you a wide range of alternative investments. It is important for you to work with our Company to evaluate how a particular alternative investment and its features fit your individual needs and objectives. An important component of the selection process includes carefully reading the accompanying offering documents and/or prospectus prior to making a purchase decision. The offering documents contain important information that will help you make an informed choice.

As part of the review process, you should consider the fees and expenses associated with a particular alternative investment, along with the fact that advisory representatives that are also registered representatives of RJFS receive compensation related to any such purchase. It is important to note that the fees and expenses related to alternative investments are often higher than those of more traditional investments. We will answer any questions regarding the applicable fees and expenses and the initial and ongoing compensation.

While each investment will differ in terms of both total fees and expenses and how those fees and expenses are calculated, the following section will discuss the primary categories of fees and expenses that are common to many alternative investments and the different ways that our Company and advisory representatives that are also registered representatives of RJFS may be compensated.

- *Management fees:* The manager for any particular investment will often charge a management fee that is based on the total value of your investment. As the value of your investment increases, the total management fees that a manager receives may increase. As the value of your investment decreases, the total management fees that a manager receives may decrease. These fees are similarly structured but are often higher than management fees associated with other, more traditional, investments such as mutual funds. Advisory representatives that are also registered representatives of RJFS may share in a portion of management fees to which an investment manager is entitled.
- *Incentive-based compensation:* Many alternative investment managers receive incentive-based compensation in addition to management fees. Incentive-based fees typically involve the manager retaining a percentage of profits generated for clients. Fees related to incentive compensation are often referred to as incentive/performance-based fees or carried interest. It is important to note that these fees are in addition to management fees that are charged by the manager and that the exact calculation of incentive fees or carried interest differs by product and manager. Advisory representatives that are also registered representatives of RJFS may share in any incentive-based compensation to which an investment manager is entitled.
- *Upfront or ongoing servicing fees or placement fees:* Many alternative investments have upfront costs directly related to compensating advisory representatives that are also registered representatives of RJFS. These fees are generally based on the total amount of your investment. Additionally, there may be ongoing fees, based on value of your investment, that are directly related to compensating advisory representatives that are also registered representatives of RJFS.
- *Redemption fees:* Some investments may have direct or indirect costs related to liquidating your position, particularly if an investment is liquidated shortly after being purchased or if an investment is specifically designed to provide limited or no liquidity to investors.

Alternative investment strategies may be accessed through a variety of legal structures, including mutual funds, limited partnerships and limited liability companies. In certain structures, particularly for new offerings, investors may incur organization and offering expenses that are related to the creation of the legal structure and marketing of the product. These costs ultimately serve to decrease the amount of the client's investment. Additionally, investors may incur other expenses based on the investment activity of the fund. For instance, in a real estate fund, investors may be charged fees related to the acquisition of a property. In a hedge fund that shorts stock, there are costs associated with establishing and maintaining the short position. Lastly, investors in alternative investments

generally bear the cost of certain ongoing expenses related to administration of the product. These expenses may include costs related to tax document preparation, auditing services or custodial services.

Alternative investments often have limited liquidity, intermittent pricing and values based on appraisal based pricing versus market-based pricing. Additionally, if an alternative investment is reflected on your statement, the value reflected is often an estimate subject to revision by the investment manager. One or a combination of these issues impact the value on which you are charged when your investment is eligible for asset-based advisory fees. We will typically only assess an advisory fee on alternative investment products that are priced at least quarterly and are not assessed an upfront commission or sales load upon initial investment. Conversely, alternative investment products not eligible for the asset-based advisory fee typically price less frequently than quarterly and/or have an upfront commission or sales load assessed upon the initial investment; such investments will be designated as Administrative-Only assets. You may hold one or more of these Administrative-Only products in your Ambassador account, but no asset-based advisory fee will be assessed as long as they are held in a Ambassador account.

You should also understand that certain no-load variable annuities may be offered in the Ambassador programs and may be charged an advisory fee. The annual advisory fees charged for these no-load variable annuities are in addition to the management fees and operating expenses charged by the insurance companies offering these products.

You should understand that certificates of deposit ("CD"s) from Raymond James Bank may be purchased with a commission, in the Ambassador program. These CDs are considered non-billable assets for one year. This may present a conflict of interest because certain of our associated persons are dually registered as a registered representative with RJFS and Raymond James Bank is a wholly owned subsidiary of RJFS.

You should also understand that more sophisticated investment strategies such as short sells and margins may be offered in the Ambassador 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 we may have an incentive to encourage the use of margin to create a higher market value and therefore receive a higher fee. The use of margin may also result in interest charges in addition to all other fees and expenses associated with the security involved. In the cases where margin debit interest is charged to your account, advisory representatives that are also registered representatives of RJFS will receive a portion of the interest charged as a Controlled Asset Fee, presenting a potential conflict of interest.

Your total cost of each of the services provided through these programs, if purchased separately, could be more or less than the costs of each respective program. Cost factors may include your 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 making cost comparisons, you should be aware that the combination of multiple mutual fund investments, advisory services, and custodial and brokerage services available through each program may not be available separately or may require multiple accounts, documentation and fees. If an account is actively traded or you otherwise may not qualify for reduced sales charges for fund

purchases, the fees may be less expensive than separately paying the sales charges and advisory fees. If an account is not actively traded or you otherwise would qualify for reduced sales charges, the fees in these programs may be more expensive than if utilized separately.

Further information regarding fees assessed by a mutual fund, variable annuity or UIT is available in the appropriate prospectus, which you may obtain upon request.

The mutual funds and ETFs available in the programs often may be purchased directly. Therefore, you could avoid the second layer of fees by not using the investment advisory account and making your own decisions regarding the investment.

You should be aware that only those mutual fund companies which RJFS has a selling agreement with will be available for purchase within the Ambassador 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.

If you are considering transferring mutual fund shares to or from RJFS you should be aware that if the firm from or to which the shares are to be transferred does not have a selling agreement with the fund company, you must either redeem the shares (paying any applicable contingent deferred sales charge and potentially incurring a tax liability) or continue to maintain an investment account at the firm where the fund shares are currently being held. You should inquire as to the transferability, or "portability", of mutual fund shares prior to initiating such a transfer.

Raymond James, in managing advisory accounts, has a financial incentive to favor funds that pay the Firm Sub-TA Fees and/or Education and Marketing fees, over funds that do not. Raymond James also has an incentive to select those funds that pay higher amounts of compensation for Sub-TA Fees and Education and Marketing Support payments over those funds that pay lower amounts of compensation. Raymond James mitigates these conflicts of interest by (1) leveling the amount of compensation paid to IARs, who are responsible for the selection of investments for each client, for all funds, irrespective of the financial benefit to the Firm; and (2) monitoring to ensure that IARs are making investment decisions that are consistent with the client's stated objectives and strategies. In regard to the Freedom and Freedom UMA programs managed by Raymond James, the AMS Investment Committee makes investment decisions based on objective, investment related due diligence and are agnostic to the compensation arrangements with the various fund companies.

Specific to the Freedom and Freedom UMA programs, the AMS Investment Committee will invest in funds or share classes designated by Raymond James for use in these managed account programs. However, in some instances, a fund company may agree to allow the AMS Investment Committee to buy an institutional share class of a fund for the Freedom program accounts, while restricting individual client-directed purchases of the same share class in other Advisory accounts, such as Ambassador program. In addition, some shareholders may qualify to invest in share classes that are intended for specific types of investors, such as retirement plans, by prospectus.

Upon termination of their Managed account, Clients would generally be permitted to continue holding the institutional class of the fund, but will be unable to make additional investments. In addition, upon termination of an account holding SMA Fund shares purchased in a Managed account through Raymond James, these shares will be redeemed immediately by Raymond James, as they may not be held outside of an SMA account.

**Education & Marketing Support Fees.** Raymond James provides a variety of marketing and other sales support services to affiliated and unaffiliated mutual fund companies related to their funds. The services that Raymond James provides depends on the level of the mutual fund company's participation in Raymond James's Education & Marketing Support Program ("E&M Program"). The E&M program has three tiers Premier, Preferred, or Partner which correspond to different levels of compensation that the mutual fund company provides to Raymond James for its related services. The services Raymond James provides include, but are not limited to, providing detailed fund information to financial advisors, assisting mutual fund companies with strategic planning support, inclusion in the No Transaction Fee ("NTF") Program, and providing opportunities for assisting with professional development workshops, study groups, and other educational events and conferences. The level of support and types of services provided by Raymond James are commensurate with the tier level and increase at the higher tiers. That is, Premier mutual fund companies receive the greatest quantity of services, followed by Preferred, and Partner, respectively. Raymond James also provides distribution support for prospectuses and promotional materials relating to mutual funds that participate in the E&M Program. In certain circumstances, Raymond James will choose to make share classes that pay 12b-1 fees or level distribution fees available in investment advisory programs if the fund family participates in the E&M Program. Raymond James may then receive marketing and education support payments from the fund family for its services, without increasing costs to you.

The structure of payments to participate in the E&M Program generally varies among mutual fund companies - a percentage of assets under management, a flat dollar fee, or some combination thereof - but the potential level of marketing support fees (also known as revenue sharing fees) that Raymond James receives from a particular mutual fund group/family will not exceed 0.30% (30 basis points) per year on mutual fund assets held through Raymond James. These payments are generally disclosed in detail in a particular mutual funds' prospectus or SAI.

Certain fund families pay Raymond James a minimum annual fee up to \$75,000 to participate in our E&M Program.

The actual amounts that Raymond James receives will vary from one mutual fund family to another and investments in certain asset classes, share classes mutual fund types, and/or account types may be excluded from the E&M Program. For instance, the E&M Program payments do not apply to ERISA plan assets and certain fee-based retirement accounts.

For a list of fund companies that have agreed to participate in Raymond James' Education and Marketing Support program, please visit: <https://www.raymondjames.com/legal-disclosures/packaged-product-disclosures/mutual-fund-investing-at-raymond-james/mutual-fund-revenue-sharing>. You may also receive a hardcopy of this list by contacting your financial advisor, or by contacting Raymond James Asset Management Services by phone at (800) 248-8863, extension 74991, or by sending in a written request to: Raymond James Asset Management Services, Client Services Department, 740 Carillon Parkway, St. Petersburg, FL 33716.

**NTF Program.** Raymond James maintains a no transaction fee feature for certain mutual fund purchases in some Raymond James investment advisory programs, including Ambassador program. Certain mutual fund families have agreed to participate in the NTF Program, meaning that your purchase transactions of funds from these companies will not incur the \$15 charge normally charged to you by Raymond James because the mutual fund family has agreed to reimburse Raymond James directly for this \$15 transaction fee. Purchases of mutual funds of those mutual fund companies that do not participate in the NTF Program will continue to be available and incur a \$15 transaction fee charged directly to you. This fee does not apply to ERISA plan assets.



Mutual fund families that do not pay Raymond James networking and service fees will have an additional transaction fee charged, separate and in addition to the current transaction fee, for taxable Ambassador program accounts only. This additional transaction fee will be \$25 for purchases, separate and in addition to the current non-NTF fund transaction fee of \$15, for a total fee of \$40 in taxable accounts. To see which fund families are subject to this fee, please visit <https://www.raymondjames.com/legal-disclosures/packaged-product-disclosures/mutual-fund-investing-at-raymond-james/networking-and-service-partners>. This fee does not apply to ERISA plan assets.

*Networking and Omnibus Fees (Sub-Accounting, Sub-Transfer Agency and Administrative Fees).* Mutual fund companies with mutual funds electronically linked or "networked" with a broker-dealer's account system or with mutual funds available through a broker-dealer's account programs often reimburse broker-dealers for a portion of their account servicing and administrative costs, which may include accounting, statement preparation and mailing, tax reporting and other shareholder services. Mutual fund companies may also pay Raymond James for maintaining an omnibus account on behalf of a particular mutual fund company, and that mutual fund company will pay Raymond James to provide various services related to investor accounts, including, but not limited to, processing dividend payments and distributions, recording-keeping, and processing purchase and redemption orders.

Networking and omnibus accounting are services that enable data sharing between Raymond James and mutual fund providers and/or their transfer agents. Raymond James currently receives payments from mutual fund companies for networking and omnibus services that generally take the form of per account charges, a percentage of assets under management, or flat dollar payments. The total amount of such payments may be up to 0.20% of total assets under management. These fees are not applicable with respect to ERISA plan assets and certain fee-based retirement accounts.

For a list of fund companies that have agreed to pay Raymond James networking and omnibus servicing fees, please visit: <https://www.raymondjames.com/legal-disclosures/packaged-product-disclosures/mutual-fund-investing-at-raymond-james/networking-and-service-partners>. You may also receive a hardcopy of this list by contacting your financial advisor, or by contacting Raymond James Asset Management Services by phone at 800) 248-8863, extension 74991, or by sending in your written request to: Raymond James Asset Management Services - (10M), Client Services Department, 740 Carillon Parkway, St. Petersburg, FL 33716.

*Shareholder Servicing Fees.* Certain mutual fund companies also pay Raymond James fees to provide shareholder liaison services to investors. These fees are classified as shareholder servicing fees and generally include responding to investor inquiries and providing information on mutual fund investments. Raymond James receives these shareholder services fees from certain mutual funds in amounts up to 0.25% annually of the assets invested in a particular mutual fund.

*Education Fees - Retirement Programs.* Raymond James also receives annual fees of up to \$25,000 from mutual fund companies for providing education, marketing and sales support services for Raymond James financial advisors that provide or seek to provide services to employer-sponsored retirement plans.

*Affiliated Funds.* Raymond James makes available to its clients a variety of mutual funds advised or offered by Carillon Tower Advisers, Inc. ("CTA"), a subsidiary of Raymond James Financial, Inc. ("RJF") and an affiliate of Raymond James. In addition to the fees described above, Raymond James receives additional revenue in connection with the sale of CTA mutual funds because it receives compensation for providing these affiliated mutual funds with investment advisory, administrative, transfer agency, distribution and/or other services that Raymond James may not provide to unaffiliated mutual funds. Payments to Raymond James and its affiliates made by mutual funds advised or offered

by CTA may be terminated, modified or suspended at any time. Raymond James financial advisors and branch managers do not receive additional compensation or other cash or non-cash incentives for recommending mutual funds (or any particular class thereof) advised by CTA.

*General Promotional Activities.* Marketing representatives of mutual fund companies, often referred to as "wholesalers", work with Raymond James financial advisors and their branch office managers to promote their mutual funds. Consistent with applicable laws and regulations, these mutual fund companies may pay for or provide training and educational programs for Raymond James' financial advisors and their existing and prospective clients. Mutual fund companies may also pay Raymond James, directly or indirectly, to offset expenses incurred for due diligence meetings, conferences, client relationship building events, occasional recreational activities, and other events or activities that are intended to result in the promotion of their mutual funds.

*Other Services.* The subsidiary companies of Raymond James Financial, Inc. provide a wide variety of financial services to, among others, individuals, corporations, employer sponsored retirement plans and municipalities. For these services, Raymond James receives compensation. As a result, Raymond James can be expected to pursue additional business opportunities with companies whose mutual funds Raymond James makes available to its clients. Consistent with industry regulations, these services could include (but are not limited to) banking and lending services, consulting or management services to deferred compensation and retirement plans, investment banking, securities research, institutional trading services, investment advisory services, and effecting portfolio securities transactions. Raymond James professionals who offer mutual funds to the individual investor clients of Raymond James may introduce mutual fund company officials to other services that Raymond James provides.

Clients should understand that the compensation arrangements between Raymond James and mutual fund companies discussed above may create a conflict of interest for Raymond James and its investment professionals to recommend a mutual fund where such compensation arrangements exist versus a mutual fund that does not pay such compensation to Raymond James, or where the firm receives greater compensation for offering such funds (or share classes thereof) on its platform. In addition, to the extent such compensation is paid out of fund assets, these payments will negatively impact clients' overall investment performance and returns over time. However, Raymond James financial advisors and branch managers do not receive additional compensation or other cash or non-cash incentives for recommending mutual funds that pay such fees to Raymond James, including those advised or offered by its CTA affiliate, versus those that do not pay such fees.

In addition to the aforementioned compensation arrangements in connection with Raymond James' mutual fund sales, Raymond James receives compensation from its affiliate Eagle for providing services unrelated to sales of Eagle mutual funds, including (but not limited to) consulting services, marketing services, sponsorship fees, and support services and transfer credits for trade execution services. Payments made by Eagle to Raymond James may be terminated, modified, or suspended at any time.

### **Additional Fees and Expenses**

As part of our investment advisory services to you, we may invest, or recommend that you invest, in mutual funds and exchange traded funds. The fees that you pay to our firm for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or exchange traded funds (described in each fund's prospectus) to their shareholders. These fees will generally include a management fee and other fund expenses. You will also incur transaction charges and/or brokerage fees when purchasing or selling securities. These charges and fees are typically imposed by the broker-dealer or custodian through whom your account transactions are executed. We do not share in any portion of the brokerage fees/transaction charges imposed by the broker-dealer or



custodian. To fully understand the total cost you will incur, you should review all the fees charged by mutual funds, exchange traded funds, our firm, and others. For information on our brokerage practices, refer to the Brokerage Practices section of this brochure.

### **Mutual Fund Share Classes**

Mutual funds are sold with different share classes, which carry different cost structures. Each available share class is described in the mutual fund's prospectus. When we purchase, or recommend the purchase of, mutual funds for a client, we select the share class that is deemed to be in the client's best interest, taking into consideration cost, tax implications, and other factors. When the fund is available for purchase at net asset value, we will purchase, or recommend the purchase of, the fund at net asset value. We also review the mutual funds held in accounts that come under our management to determine whether a more beneficial share class is available, considering cost, tax implications, and the impact of contingent deferred sales charges. We may be limited in our ability to always provide the lowest cost share class. Where your account is managed by a third party money manager, the account is typically managed only in funds or investments that are available to that manager. In some cases, the third party manager may not provide investments in the lowest share class available. We will monitor accounts managed by third party managers and where possible suggest alternative share classes for our clients' accounts when possible.

### **Compensation for the Sale of Securities or Other Investment Products**

Persons providing investment advice on behalf of our firm are registered representatives with Raymond James Financial Services, Inc, a securities broker-dealer, and a member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation. In their capacity as registered representatives, these persons receive compensation in connection with the purchase and sale of securities or other investment products, including asset-based sales charges, service fees or 12b-1 fees, for the sale or holding, of mutual funds. Compensation earned by these persons in their capacities as registered representatives is separate and in addition to our advisory fees. This practice presents a conflict of interest because persons providing investment advice to advisory clients on behalf of our firm who are registered representatives have an incentive to recommend investment products based on the compensation received rather than solely based on your needs. Persons providing investment advice to advisory clients on behalf of our firm can select or recommend, and in many instances will select or recommend, mutual fund investments in share classes that pay 12b-1 fees when clients are eligible to purchase share classes of the same funds that do not pay such fees and are less expensive. This presents a conflict of interest. You are under no obligation, contractually or otherwise, to purchase securities products through any person affiliated with our firm who receives compensation described above.

Persons providing investment advice on behalf of our firm are licensed as independent insurance agents. These persons will earn commission-based compensation for selling insurance products, including insurance products they sell to you. Insurance commissions earned by these persons are separate and in addition to our advisory fees. This practice presents a conflict of interest because persons providing investment advice on behalf of our firm who are insurance agents have an incentive to recommend insurance products to you for the purpose of generating commissions rather than solely based on your needs. You are under no obligation, contractually or otherwise, to purchase insurance products through any person affiliated with our firm.

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

We do not accept performance-based fees or participate in side-by-side management. Performance-based fees are fees that are 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. Our fees are calculated as described in the *Advisory Business* section above, and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds in your advisory account.

## Item 7 Types of Clients

We offer investment advisory services to individuals, pension and profit sharing plans, trusts and estates. In general, we require a minimum of \$100,000 to open and maintain an advisory account. At our discretion, we may waive this minimum account size requirement. For example, we may waive the minimum if you appear to have significant potential for increasing your assets under our management. We may also combine account values for you and your minor children, joint accounts with your spouse, and other types of related accounts to meet the stated minimum.

There is a minimum investment of \$25,000 for Ambassador accounts.

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

We may use one or more of the following methods of analysis or investment strategies when providing investment advice to you:

- Modern Portfolio Theory (MPT) is a theory of investment which attempts to maximize portfolio expected return for a given amount of portfolio risk, or equivalently minimize risk for a given level of expected return, by carefully diversifying the proportions of various assets.
- Long Term Purchases - securities purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.

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

Our strategies and investments may have unique and significant tax implications. However, unless we specifically agree otherwise, and in writing, tax efficiency is not our primary consideration in the management of your assets. Regardless of your account size or any other factors, we strongly recommend that you continuously consult with a tax professional prior to and throughout the investing of your assets.

Moreover, as a result of revised IRS regulations, custodians and broker-dealers will begin reporting the cost basis of equities acquired in client accounts on or after January 1, 2011. Your custodian will default to the FIFO accounting method for calculating the cost basis of your investments. You are responsible for contacting your tax advisor to determine if this accounting method is the right choice for you. If your tax advisor believes another accounting method is more advantageous, please provide written notice to our firm immediately and we will alert your account custodian of your individually selected accounting method. Decisions about cost basis accounting methods will need to be made before trades settle, as the cost basis method cannot be changed after settlement.

**Risk of Loss**

Investing in any type of security involves risk of loss that you should be prepared to bear. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. We cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is in no way an indication of future performance.

**Recommendation of Particular Types of Securities**

As disclosed under the *Advisory Business* section above, we primarily recommend mutual funds. Mutual funds are funds that are operated by an investment company that raises money from shareholders and invests it in stocks, bonds, and/or other types of securities. The fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. The mutual funds charge a separate management fee for their services. The returns on mutual funds can be reduced by the costs to manage the funds. While mutual funds generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market. Funds that are sold through brokers are called load funds, and those sold to investors directly from the fund companies are called no-load funds. Mutual funds come in many varieties. Some invest aggressively for capital appreciation, while others are conservative and are designed to generate income for shareholders. Investors should carefully assess their tolerance for risk before they decide which fund is suitable for their account.

**Item 9 Disciplinary Information**

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

**Item 10 Other Financial Industry Activities and Affiliations****Registrations with Broker-Dealer**

Persons providing investment advice on behalf of our firm are registered representatives with Raymond James Financial Services, Inc. ("RJFS"), a securities broker-dealer, and a member of FINRA and the Securities Investor Protection Corporation. Refer to the *Fees and Compensation* section above for additional disclosures on this topic.

**Insurance Agent**

Persons providing investment advice on behalf of our firm are also separately licensed as independent insurance agents. These individuals will earn commission-based compensation for selling insurance products, including insurance products they sell to you. Insurance commissions earned are separate and in addition to advisory fees you pay to M.K. Brown Wealth Advisory for investment advisory services. You are under no obligation, contractually or otherwise, to purchase insurance products through Associated Persons of our firm. Refer to the *Fees and Compensation* section above for additional disclosures on this topic.

**Recommendation of Other Advisers**

We may recommend that you use third party money managers based on your needs and suitability. We will receive compensation for recommending that you use their services. These compensation arrangements present a conflict of interest because we have a financial incentive to recommend the services of the third party adviser. You are not obligated, contractually or otherwise, to use the services of any third party money manager we recommend. Refer to the *Advisory Business* section above for additional disclosures on this topic.

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

### **Description of Code of Ethics**

We have adopted a Code of Ethics that sets the standard of conduct expected to comply with applicable securities laws. Our 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. We adhere strictly to these guidelines. Additionally, we maintain and enforce 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 our firm. Clients or perspective clients may contact us at 937-298-8904 to request a copy of our Code of Ethics.

### **Participation or Interest in Client Transactions**

Neither our firm nor any of our Associated Persons has any material financial interest in client transactions beyond the provision of investment advisory services as disclosed in this brochure.

### **Personal Trading Practices**

Our firm or persons associated with our firm may buy or sell the same securities that we recommend to you or securities in which you are already invested. A conflict of interest exists in such cases because we have the ability to trade ahead of you and potentially receive more favorable prices than you will receive. To mitigate this conflict of interest, it is our policy that neither our firm nor persons associated with our firm shall have priority over your account in the purchase or sale of securities.

## **Item 12 Brokerage Practices**

We recommend the brokerage and custodial services of Raymond James Financial Services, Inc. ("RJFS") a securities broker-dealer and a member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation. We believe that RJFS provides quality execution services for you at competitive prices. Price is not the sole factor we consider in evaluating best execution. We also consider the quality of the brokerage services provided by RJFS, including: the value of research provided, reputation in the marketplace, execution capabilities, commission rates, and responsiveness to our clients and our firm. In recognition of the value of research services and additional brokerage products and services RJFS provides, you may pay higher commissions and/or trading costs than those that may be available elsewhere. Refer to the *Fees and Compensation* section above for additional disclosures on this topic.

Persons providing investment advice on behalf of our firm are also registered representatives of RJFS. These individuals are subject to FINRA Conduct Rule 3280 that may restrict them from conducting securities transactions away from RJFS. Therefore, these individuals are generally limited to conducting securities transactions through RJFS and its primary clearing firm.

Clients should be aware that best execution and lower commissions may not necessarily be achieved if recommended transactions are placed through Associated Persons of our firm in their separate capacity as a registered representative and/or insurance agent/broker.

Select fund companies ("Participating Funds") have agreed to pay RJFS administrative fees. For certain mutual fund purchases, RJFS may use such fees to credit back the Transaction Fee charged to Clients' accounts, as required by applicable law. Select fund companies have agreed to pay marketing

service and support fees to RJFS ("Partner Funds"). "Non-Partner Funds" do not participate in RJFS's Education and Marketing Support program. Transaction Fees are applied to purchases of Partner and Non-Partner Funds.

The Transaction Fee for Non-Partner Fund purchases (excluding those Non-Partner Fund purchases made IRAs, and certain other tax-deferred vehicles, which will be subject to the \$15.00 fee noted above) is \$40.00. Please note that funds may change their Participating, Partner or Non-Partner status at any time; you should consult with your IAR to verify the funds' status periodically. You may request a list of Participating Funds and Partner Funds from your IAR, or visit:

<https://www.raymondjames.com/legal-disclosures/packaged-product-disclosures/mutual-fund-investing-at-raymond-james/networking-and-service-partners>.

### **Brokerage for Client Referrals**

We do not receive client referrals from broker-dealers in exchange for cash or other compensation, such as brokerage services or research.

### **Aggregated Trades**

Transactions for each client generally will be effected independently, unless we decide to purchase or sell the same securities for several clients at approximately the same time. We may, but are not obligated to, combine multiple orders for shares of the same securities purchased for advisory accounts we manage (this practice is commonly referred to as "aggregated trades"). We will then distribute a portion of the shares to participating accounts in a fair and equitable manner. The distribution of the shares purchased is typically proportionate to the size of the account, but it is not based on account performance or the amount or structure of management fees. Subject to our discretion regarding factual and market conditions, when we combine orders, each participating account pays an average price per share for all transactions and pays a proportionate share of all transaction costs on any given day.

### **Mutual Fund Share Classes**

Mutual funds are sold with different share classes, which carry different cost structures. Each available share class is described in the mutual fund's prospectus. When we purchase, or recommend the purchase of, mutual funds for a client, we select the share class that is deemed to be in the client's best interest, taking into consideration cost, tax implications, and other factors. When the fund is available for purchase at net asset value, we will purchase, or recommend the purchase of, the fund at net asset value. We also review the mutual funds held in accounts that come under our management to determine whether a more beneficial share class is available, considering cost, tax implications, and the impact of contingent deferred sales charges.

## **Item 13 Review of Accounts**

We monitor client portfolios as part of an ongoing process while regular account reviews are conducted at least annually. You are encouraged to discuss your needs, goals, and objectives with our firm, and to keep us informed of any changes in this information. Additional reviews may be conducted at your request, or based on various circumstances, including, but not limited to, contributions and withdrawals, year-end tax planning, market moving events, security specific events, and/or, changes in your risk/return objectives. Martin "Bo" Brown, Managing Member and Chief Compliance Officer, and Elizabeth Kussman, Investment Adviser Representative, will be responsible for overseeing all reviews.



You will receive transaction confirmation notices and regular summary account statements, at least quarterly, directly from RJFS. As available, such information may be accessed online. We may also provide you with periodic performance reports that generally include relevant account and/or market-related information such as an inventory and appraisal of account holdings, and investment performance. Refer to the *Brokerage Practices* section above for additional information on this topic.

If you receive reports from our firm, we encourage you to reconcile our reports with those received from the qualified custodian. If you find your holdings differ between these two statements, call our main office number located on the cover page of this brochure.

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

Beyond the disclosures provided in this Brochure, we do not receive any compensation from any third party in connection with providing investment advice to you.

We directly compensate non-employee (outside) consultants, individuals, and/or entities (Solicitors) for client referrals. In order to receive a cash referral fee from our firm, Solicitors must comply with the requirements of the jurisdictions in which they operate. If you were referred to our firm by a Solicitor, you should have received a copy of this brochure along with the Solicitor's disclosure statement at the time of the referral. If you become a client, the Solicitor that referred you to our firm will receive a percentage of the advisory fee you pay our firm for as long as you are a client with our firm, or until such time as our agreement with the Solicitor expires or a one-time, flat referral fee upon your signing an advisory agreement with our firm. You will not pay additional fees because of this referral arrangement. Referral fees paid to a Solicitor are contingent upon your entering into an advisory agreement with our firm. Therefore, a Solicitor has a financial incentive to recommend our firm to you for advisory services. This creates a conflict of interest; however, you are not obligated to retain our firm for advisory services. Comparable services and/or lower fees may be available through other firms. Solicitors that refer business to more than one investment adviser may have a financial incentive to recommend advisers with more favorable compensation arrangements.

In addition to the fee based compensation we receive for providing advisory services, IARs of our firm that are also registered representative with RJFS will earn commissions for transactional business in accordance with RJFS's published commission schedule. At the conclusion of each year, qualifying advisers are awarded membership in RJFS's recognition clubs. Qualification for the recognition clubs is based upon a combination of the annual production (both advisory and transactions), total client assets under administration with RJFS, and the professional certifications acquired through educational programs. Refer to the *Fees and Compensation* section above for additional disclosures on this topic.

## **Item 15 Custody**

As paying agent for our firm, your independent custodian will directly debit your account(s) for the payment of our advisory fees. This ability to deduct our advisory fees from your accounts causes our firm to exercise limited custody over your funds or securities. We do not have physical custody of any of your funds and/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 at least quarterly. The account statements from your custodian(s) will indicate the amount of our advisory fees deducted from your account(s) each billing period. You should carefully review account statements for accuracy.

### **Standing Letter of Authorization**

Our firm, or persons associated with our firm, may effect wire transfers from client accounts to one or more third parties designated, in writing, by the client without obtaining written client consent for each separate, individual transaction as long as the client has provided us with written authorization to do so. Such written authorization is known as a Standing Letter of Authorization. An adviser with authority to conduct such third party wire transfers has access to the client's assets, and therefore has custody of the client's assets in any related accounts.

However, we do not have to obtain a surprise annual audit, as we otherwise would be required to by reason of having custody, as long as we meet the following criteria:

1. You provide a written, signed instruction to the qualified custodian that includes the third party's name and address or account number at a custodian;
2. You authorize us in writing to direct transfers to the third party either on a specified schedule or from time to time;
3. Your qualified custodian verifies your authorization (e.g., signature review) and provides a transfer of funds notice to you promptly after each transfer;
4. You can terminate or change the instruction;
5. We have no authority or ability to designate or change the identity of the third party, the address, or any other information about the third party;
6. We maintain records showing that the third party is not a related party to us nor located at the same address as us; and
7. Your qualified custodian sends you, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.

We hereby confirm that we meet the above criteria.

### **Item 16 Investment Discretion**

Before we can buy or sell securities on your behalf, you must first sign our discretionary management agreement, a power of attorney, and/or trading authorization forms.

Clients with Ambassador accounts may grant our firm discretion over the selection and amount of securities to be purchased or sold, the broker or dealer to be used, and the commission rates to be paid for your account(s) without obtaining your consent or approval prior to each transaction. You may specify investment objectives, guidelines, and/or impose certain conditions or investment parameters for your account(s). For example, you may specify that the investment in any particular stock or industry should not exceed specified percentages of the value of the portfolio and/or restrictions or prohibitions of transactions in the securities of a specific industry or security. Please refer to the *Advisory Business* section in this Brochure for more information on our discretionary management services.

If you enter into non-discretionary arrangements with our firm, we will obtain your approval prior to the execution of any transactions for your account(s). You have an unrestricted right to decline to implement any advice provided by our firm on a non-discretionary basis.

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

Without exception, we will not vote proxies on behalf of your advisory accounts. However, at your request, we may offer you advice regarding the exercise of your proxy voting rights.



## Item 18 Financial Information

We have not filed a bankruptcy petition at any time in the past ten years.

## Item 19 Requirements for State-Registered Advisers

We are 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, our 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

We do not determine if securities held by you are the subject of a class action lawsuit or whether you are eligible to participate in class action settlements or litigation nor do we initiate or participate in litigation to recover damages on your behalf for injuries as a result of actions, misconduct, or negligence by issuers of securities held by you.

### IRA Rollover Considerations

As part of our investment advisory services to you, we 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 our management, we will charge you an asset based fee as set forth in the agreement you executed with our firm. This practice presents a conflict of interest because persons providing investment advice on our 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 our firm.

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 we encourage you to speak with your CPA and/or tax attorney.

If you are considering rolling over your retirement funds to an IRA for us 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. Our 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 72.
- 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 us 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 our main number as listed on the cover page of this brochure.