

## **Form ADV Part 2 -Firm Brochure**

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This brochure provides information about the qualifications and business practices of integrity RIA, LLC.

If you have any questions about the contents of this brochure, please contact us at (337) 654-0608 or shawn@integrityria.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 Integrity RIA, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Integrity RIA, LLC is a Registered Investment Advisor in the State of Louisiana. Please note that registration does not imply a certain level of skill or training.

## **ITEM 2**

### **MATERIAL CHANGES**

Pursuant to SEC rules, we are required to update our Brochure at least annually and provide you with a summary of any material changes since the previous annual amendment.

The material changes in this brochure from the last annual updating amendment of Integrity RIA, LLC on 01/02/2020 are described below. Material changes relate to Integrity RIA, LLC's policies, practices or conflicts of interests.

- Integrity RIA, LLC is applying for registration with the Securities and Exchange Commission.
- Integrity RIA, LLC has updated fees and compensation (Item 5).

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## **ITEM 4**

### **ADVISORY BUSINESS**

- A. Description of our business. Integrity RIA, LLC ("Integrity") has been a Registered Investment Advisor in Louisiana since 2009. Shawn DeFoe owns it 100%.
- B. Description of advisory services we offer. Integrity is a small independent firm specializing in managing client portfolios.

When managing client portfolios, we will take under consideration client's personal financial situation (employment status, cash reserves, retirement account values, current age, anticipated retirement date, sources of income, and their personal tolerance for risk). With this information, we will assist clients with developing an appropriate investment strategy. We will monitor and adjust the client portfolios in accordance with the investment strategy.

In managing client portfolios, we utilize various methods.

When we manage your accounts we use general securities (stocks & bonds), mutual funds, exchange traded funds or (ETFs), and government securities.

If you want to invest in "alternative investments" such as commodities, managed futures, private equity, currency or hedge funds, we will help you select and monitor other money managers investing in alternative investments. We have chosen the other money managers based on their relative costs, skills, reputation, dependability and compatibility with our clients, and NOT upon any financial arrangement between Integrity or Shawn DeFoe. Please note that we do not offer alternative investments and have not bought one for clients in more than 8 years.

NOTE: A conflict exists between the interests of the investment advisor and the interests of the clients. The client is under no obligation to act upon the investment advisor's recommendations. If the client elects to act upon any of the recommendations, the client is under no obligation to affect the transaction through the investment advisor.

- C. We tailor our advisory services to your individual needs. All our clients are different, so we tailor our services to meet your needs by consultations to discover your individual hopes, goals and dreams. Then we analyze your current investments and make suggestions how to meet your individual hopes, goals and dreams. Of course, you may impose restrictions on investing in certain securities or types of securities. It is your portfolio, after all. (Please refer to Item 16.)
- D. Wrap fee programs. Integrity does not participate in wrap-fee programs.
- E. Amount of assets we manage. As of December 2020, Integrity managed approximately \$112,342,873 in discretionary assets and \$1,883,547 in non-discretionary assets under management. This does not include non-managed assets (CD's, commission based variable annuities, non-traded REIT's or LP's, or fixed annuities).

## **ITEM 5**

### **FEES & COMPENSATION**

- A. How we are compensated Managed money fees have 2 components. If we manage your money, the annual negotiable fee for doing so ranges from .50% to 1%, depending on the size and complexity of your

account. The fee is paid quarterly, at the *end* of each quarter at TD Ameritrade is paid monthly at the end of the month. Interactive Brokers is a new relationship for Integrity and the management fee will not exceed 1.0% and is billed daily. Nationwide Advisory Solutions is a commission free, surrender free annuity product catered to registered investment advisors. We bill monthly at rate of no higher than 1%.

Our asset based management fees are determined from the following chart:

<b>Account Size Over</b>	<b>But not Over</b>	<b>Fee</b>
<b>\$0</b>	<b>\$2 Million</b>	<b>1.50%</b>
<b>\$2 Million</b>	<b>\$3 Million</b>	<b>1.13%</b>
<b>\$3 Million</b>	<b>\$5 Million</b>	<b>0.90%</b>
<b>\$5 Million</b>		<b>0.75%</b>

Break points for management fees are negotiable. Additionally, discounts are offered to Lafayette Parish Fireman and Acadian Ambulance employees and their family members.

Fees will be billed in arrears on a calendar quarter basis. Integrity will not bill your account unless you have been there the entire calendar quarter. The logistics of the fee billing involve the custodian debiting your account at these given times. For example: the annualized fee for an account of \$4,000,000 would be \$40,000. It would be calculated by  $\$4,000,000 \times 0.01 = \$40,000$ . The quarterly fee would be \$40,000 divided by 4, or \$10,000.

B. Please note that with a signed Power of Attorney, we can have your custodian withdraw our fees for managing your account at the end of each quarter. We recommend that method. Or you may choose to have us bill you at the end of each quarter.

C. Other types of fees. Our fees do not include transaction fees, brokerage commissions and other related costs and expenses, which you will pay. You may also pay fees charged by your custodian, mutual funds and other money managers, including: management fees, custodial fees, mutual fund fees, taxes and transfer fees. We do not receive a portion of any of these fees. Simply put, they are part of doing business in the securities industry. And please remember that by not charging securities sales commissions, we are keeping your out-of-pocket expenses as low as we possibly can. (Please refer to item 12.)

D. Do we charge in advance. We do not charge fees in advance and will not bill if account is not funded for a complete calendar quarter.

E. Do we get compensated (commissions) for the sales of securities. No one at Integrity accepts commissions or any other form of compensation for *selling* you securities or other investment products. We can and do earn insurance commissions.

## ITEM 6 PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

Integrity does not charge performance-based fees and therefore does not engage in side- by-side management comparisons.

## ITEM 7 TYPES OF CLIENTS

Most of our clients are individuals; many are high net worth individuals. We also have business and corporations.

The Firm does not impose any requirements on the minimum account size for opening or maintaining an account.

## **ITEM 8**

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

- A. Our analysis and strategies. We don't do technical security analysis. We do fundamental security analysis of a business (analyzing its financial statements, health, management, competitive advantages, competitors and markets). Fundamental analysis is performed on historical and present data, but with the goal of making financial forecasts, including stock price evolution, projection of business performance, management evaluations and credit risks.

For Investment Strategies We use selection of other advisers, long term trading, short term trading, short sales, margin transactions, and options trading (including covered options, uncovered options, or spreading strategies).

Investing in securities involves a risk of loss that you, as a client, should be prepared to bear.

We primarily read financial newspapers and magazines ("Baron's", "Forbes", "Money", "Kiplinger's", "Fortune", "Investor's Business Daily").

We also pay and subscribe to several newsletter resources ("The Prudent Speculator", "Utility Forecaster", "Buyback Letter", "The Motley Fool", "Louis Navallier", "Paul Mampilly", "Wall Street Journal", etc.).

*YOU SHOULD BE AWARE THAT INVESTING IN SECURITIES INVOLVES RISK OF LOSS THAT YOU SHOULD BE PREPARED TO BEAR. THE FIRST DECADE OF THE 21ST CENTURY SHOULD HAVE PROVEN THAT.*

- B. Material risks involved in our analysis or strategies. We feel our investment strategy is fairly conservative and we don't believe it involves *significant* or *unusual* risks. For example, we do not normally engage in frequent trading of securities as that can affect investment performance, particularly through increased brokerage and other transaction costs and taxes. But, since investing in securities always involves risks, your risks are: **LOSS OF CAPITAL, FLUCTUATING RETURNS AND NOT ACHIEVING YOUR GOALS.**

Fundamental analysis concentrates on factors that determine a company's value and expected future earnings. This strategy would normally encourage equity purchases in stocks that are undervalued or priced below their perceived value. The risk assumed is that the market will fail to reach expectations of perceived value.

Do we recommend primarily a particular type of security. As mentioned earlier, we place client accounts in general securities (stocks & bonds), mutual funds, ETF's (Exchange Traded Funds), and government securities. Investing in securities **ALWAYS INVOLVES RISKS**. Investing in these funds carries the risk of capital loss and thus you may lose money investing. All funds have costs that lower investment returns. The funds can be of bond (fixed income) nature or stock (equity) nature, or a mix of multiple underlying security types.

## **ITEM 9**

### **DISCIPLINARY INFORMATION**

- A. Criminal or civil actions. Yes. Shawn DeFoe was involved in a civil action in a domestic court in 2011 with a former business partner arising from a retail franchise business venture. The case was settled amicably before trial.
- B. Administrative proceeding before The SEC or any other government agency. Shawn DeFoe had an administrative proceeding before the SEC from arbitration in 2008. The SEC dismissed the arbitration request shortly after 2008.
- C. Any self-regulatory organization (SRO) proceedings. In November 2018 the state of Texas fined the firm for not properly registering in the state of Texas. The firm paid the fine in full in April 2019. In November 2018 the State of LA alleged that Integrity RIA made unsuitable recommendations to twenty-one clients who invested in a single oil and gas producer company but had a moderate risk tolerance. The order further alleged that Integrity RIA failed to maintain proper client profiles for some of its clients; charged one client a higher fee than established in the advisory contract; client contracts improperly state that client accounts are managed on a discretionary basis when the firm manages accounts on both a discretionary and non-discretionary basis; and impermissible testimonials on the firm's Facebook page. Additionally, the firm as alleged to have failed to exercise adequate supervision of its investment adviser representative.

## **ITEM 10**

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

- A. Are we registered representatives of a securities broker/dealer? No one at Integrity is or will ever be a securities broker/dealer or a securities registered representative.
- B. Are we a futures commission merchant, commodity pool operator or a commodity trading advisor? No one at Integrity is or ever will be futures commission merchant, a commodity pool operator or a commodity trading advisor or an associated person of the above-mentioned 3 entities.
- C. Do we have any other financial relationships or arrangements that are material to our business? Yes. Shawn DeFoe is a licensed insurance agent in the State of Louisiana. He sells insurance products for sales commissions. Accordingly, you should be aware that a conflict exists between your interests and our interests; and you are under no obligation to act upon any of our recommendations; and if you elect to act upon any of the recommendations, you are under no obligation to affect the insurance transactions through us.
- D. Do we recommend other registered investment advisors and receive compensation? No, we do not.

## **ITEM 11**

### **CODE OF ETHICS, PARTICIPATION OR INTEREST IN *CLIENT* TRANSACTIONS AND PERSONAL TRADING**

- A. Describe our Code of Ethics Our Code of Ethics establishes ideals for ethical conduct based upon fundamental principles of openness, integrity and trust. It ensures that we always put your interests first. We hold ourselves



to high standards and diligence. Our Code of Ethics is our promise to work hard in your interests, with complete confidentiality and honesty. We will immediately provide a copy of our Code of Ethics to any client or prospective client upon request.

- B. Do we have any material financial interests in investments we recommend** We will not recommend an investment to you in which we have a material financial interest. We do not act as a principal and buy securities from or sell securities to clients. We are not general partners in a partnership, so we will not solicit your investments for such. We are not investment advisors to any investment company, so we will not solicit your investments for such. Our only financial affiliations are that we have insurance licenses, as disclosed before.

**Do we invest in securities we recommend to you** on occasion, we may buy or sell securities we recommend to you. We feel that there is just a tiny conflict of interest in owning the same securities as we recommend to you because the securities we recommend are widely held and publicly traded and we are too small advisors/investors to affect the market in widely held and publicly traded securities. We will always document any transactions that could be construed as conflicts of interest and will never engage in trading that operates to the client's disadvantage when similar securities are being bought or sold.

- C. Do we buy or sell securities about the same time as you** No. In addition, we do not allow "front running" (buying or selling before you) or buying or selling securities contemporaneously with you.

## **ITEM 12 BROKERAGE PRACTICES**

- A. Describe the factors we used in selecting a custodian for you** We have selected a custodian based on its:
- ❖ Costs
  - ❖ Skills
  - ❖ Reputation
  - ❖ Dependability
  - ❖ Compatibility with you: This custodian deals mainly with small independent RIAs like us.
- B. Soft dollars** We don't do "soft dollars". It is difficult to define, but a good example would be if a custodian offered us research or other benefits to place our clients with them.
- C. Brokerage for client referrals** We don't do "brokerage for client referrals". By that we mean we haven't selected our custodian on the basis that it will send us other client referrals in exchange for your custodial business.
- D. Directed brokerage** We don't do "directed brokerage". That means we don't recommend, request or require that you direct us to execute transactions through a specified broker/dealer. If we did it, we may be unable to achieve favorable execution of trades and it would cost you money.
- E. Aggregating client accounts** We rarely have the opportunity to "aggregate" the purchase or sale of securities for you. We're a small independent RIA that doesn't buy or sell securities very often (a practice which saves you money). More importantly, all our clients are different in age, size of portfolio, wants & needs and risk taking, so there is very little overlap in our client portfolios. However, at times it does

exist. We will only enter block trades at the firm level to exit a position only.

### **ITEM 13**

#### **REVIEW OF ACCOUNTS**

- A. Frequency & nature of reviews We review managed accounts weekly. Accounts at custodians are reviewed when we receive their statements- usually quarterly. All accounts are reviewed by Integrity's president- Shawn DeFoe. They are reviewed on a portfolio analysis basis.
- B. Reviews on other than periodic basis on occasions, such as a dramatic market move (in either direction), retirement or any catastrophe, we review client accounts to ascertain if we need to make appropriate repositioning moves for you.
- C. Client reports We do not prepare regular client *reports*. At the end of each quarter we receive a computerized invoice from your custodian detailing you quarterly activity. We then review the invoice and check the calculations. If all is in order, we hit "submit" and your fees to us are deducted. Your custodian sends your account statements, transaction confirmations, all applicable tax documents, required minimum distributions from any qualified plans, and proxy documents, including ballots and any communication from public companies. In addition, you also receive statements from any mutual funds you may own and other money managers you may utilize.

### **ITEM 14**

#### **CLIENT REFERRALS AND OTHER COMPENSATION**

- A. Do we get economic benefits from a non-client for providing certain advice to you? No. In addition, we do not accept sales awards or other prizes, such as trips. We pay for our own trips.
- B. Do we pay for client referrals? No. We do not *pay* for client referrals.

### **ITEM 15**

#### **CUSTODY**

Integrity never takes custody of client funds and/or securities.

### **ITEM 16**

#### **INVESTMENT DISCRETION**

Integrity RIA, LLC provides discretionary and non-discretionary investment advisory services to clients. The Investment Advisory Contract established with each client outlines the discretionary authority for trading. Where investment discretion has been granted, Integrity RIA, LLC generally manages the client's account and makes investment decisions without consultation with the client as to what securities to buy or sell, when the securities are to be bought or sold for the account, the total amount of the securities to be bought/sold, or the price per share.

You may tell us any limitations you'd want on your account. For example, several clients prefer that we not invest in gambling, tobacco or alcohol-based securities. We will, of course, abide with your wishes.

**ITEM 17**  
**VOTING *CLIENT SECURITIES***

- A. Do we accept authority to vote client securities? We do not vote client securities
- B. If we do not have that authority, disclose that fact We do not have the authority to vote client securities. You will receive your proxies or other solicitations directly from your custodian and we encourage you to discuss them with your legal representatives as we not in a position to answer any of your questions regarding proxies.

**ITEM 18**  
**FINANCIAL INFORMATION**

- A. Do we require prepayment of fees of more than \$500/more than 6 months in advance No, we never charge fees in advance.
- B. If we require such prepayment, or have custody or discretion, is there any impairment for us to make a refund, if necessary There is no prepayment, so there is no refund on a prepayment.
- C. Bankruptcy Neither Shawn DeFoe nor Integrity RIA, LLC has ever filed for bankruptcy. (Please refer to the preceding paragraph.)

**ITEM 19**  
**REQUIREMENTS FOR STATE REGISTERED ADVISORS**

- A. Our education and business backgrounds. Principal Officer of Integrity RIA, LLC is Shawn Defoe.

Shawn DeFoe- our president- was born in 1974. He has a BBA in Finance from Texas State University (1998). During the past 9.5 years, he's been president of Integrity RIA, LLC, a Louisiana Registered Investment Advisor (2009 to present). He is also an insurance agent (2000 to present).

- B. Any other business activities Shawn DeFoe has other business activities:

Shawn DeFoe sells insurance products for sales commissions. That profession takes up less than 5% of his work week.

- C. Performance-based fees Integrity does not charge performance-based fees.

D-1. Arbitration Yes. Shawn Defoe was involved in arbitration in 2008. The arbitration arose from an outside (non-securities related) business venture with a client. The dispute was resolved amicably before a final hearing.

D-2. Civil or administrative proceedings Yes. Shawn Defoe was involved in a civil action in a domestic court in 2011 with a former business partner arising from a retail franchise business venture (non-securities related). The case was settled amicably before trial.

- E. Relationship with issuer of securities. We do not have any relationships with issuers of securities

