

# JNBA Financial Advisors, LLC

SEC File Number: 801 – 21522

## **Brochure** **Dated: July 1, 2021**

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This brochure provides information about the qualifications and business practices of JNBA Financial Advisors, LLC. If you have any questions about the contents of this brochure, please contact us at (952) 844-0995 or [Kim.Brown@jnba.com](mailto:Kim.Brown@jnba.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 JNBA Financial Advisors, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

References herein to JNBA Financial Advisors, LLC as a “registered investment adviser” or any reference to being “registered” does not imply a certain level of skill or training.

## Item 2 Material Changes

Since our last Other-Than-Annual Amendment filing made on June 7, 2021, JNBA has not made any material changes. Although not material, JNBA made the following changes to this Disclosure Brochure:

- Item 4 to clarify that JNBA offers its investment advisory services to family offices;
- Item 5 to clarify how family offices are charged for JNBA’s investment advisory services;
- Items 4 and 5 have been updated to clarify that clients may not be able to accurately determine or calculate their advisory fee from their review of the custodial account statements received from TD because TD does not account for certain factors at month end, e.g., accrued interest and dividends payable, until one or two days into the following quarter;
- Item 12 to clarify that there are no minimum share quantities, dollar amounts, or security types required for Registrant’s participation in the TD soft dollars program or for “Additional Services”;
- Items 13 C. and 15 to clarify that clients may not be able to accurately determine or calculate their advisory fee from their review of the custodial account statements received from TD because TD does not account for certain factors at month end, e.g., accrued interest, dividends payable until one or two days into the following quarter; and
- Item 15 to disclose that JNBA engages in certain custody-related services and/or practices that are subject to an annual surprise CPA examination.

JNBA Financial Advisors’ Chief Compliance Officer, Kimberlee M. Brown, remains available to address any questions that an existing or prospective client may have regarding this Brochure.

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#### **Item 4            Advisory Business**

- A. JNBA Financial Advisors, LLC (the “Registrant”) is a limited liability company formed in January 2021 in the state of Delaware. The Registrant succeeded JNBA Financial Advisors, Inc. in January 2021. The Registrant is owned by Richard S. Brown through JNBA Financial Holdings, LLC. Mr. Brown is the Registrant’s Chief Executive Officer.
- B.

#### **INVESTMENT ADVISORY SERVICES**

The Registrant provides discretionary and/or non-discretionary investment advisory services on a *fee-only* basis. The Registrant’s annual investment advisory fee is based upon a percentage (%) of the market value of the client’s assets placed under the Registrant’s management, accrued interest on bonds and dividends payable on mutual funds. The Registrant’s fee shall generally be between 0.75% and 1.25% of the client’s assets under management including accrued interest on bonds and dividends payable on mutual funds. Certain dividends payable on mutual funds will depend on the timing of information reported to the custodian by the fund companies. Additionally, please note, there may be deposits or withdrawals made to the client’s account on the last billing day of the month that may not be reflected on custodian’s month end statement.

The Registrant’s annual investment advisory fee typically includes investment advisory services, and, to the extent specifically requested by the client, financial planning and consulting services. In the event that the client requires extraordinary planning and/or consultation services (to be determined in the sole discretion of the Registrant), Registrant may determine to charge for such additional services, the dollar amount of which shall be set forth in a separate written notice to the client.

\* In limited circumstances and at the discretion of the Registrant, clients may engage the Registrant to provide investment management services on a stand-alone basis. When engaged in such capacity, the Registrant will not be responsible for providing financial planning and consulting services to the client as part of the engagement.

#### **FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)**

The Registrant provides financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone separate fee basis. Prior to engaging the Registrant to provide planning or consulting services, clients are generally required to enter into a *Financial Planning and Consulting Agreement* with Registrant setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the client prior to Registrant commencing services.

If requested by the client, Registrant may recommend the services of other professionals for implementation purposes. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from the Registrant.

If the client engages any recommended unaffiliated professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. At all times, the engaged licensed professional(s) (i.e. attorney, accountant, insurance agent, etc.), and not the Registrant, shall be responsible for the quality and competency of the services provided.

It remains the client's responsibility to promptly notify the Registrant if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising Registrant's previous recommendations and/or services.

### **RETIREMENT PLAN CONSULTING**

The Registrant also provides retirement plan consulting/management services, pursuant to which it assists sponsors of self-directed retirement plans organized under the Employee Retirement Security Act of 1974 ("ERISA"). The terms and conditions of the engagement shall be set forth in a Retirement Plan Services Agreement between the Registrant and the plan sponsor.

If the plan sponsor engages the Registrant in an ERISA Section 3(21) capacity, the Registrant will assist with the selection and/or monitoring of investment options (generally open-end mutual funds and exchange traded funds) from which plan participants shall choose in self-directing the investments for their individual plan retirement accounts. If the plan sponsor chooses to engage the Registrant in an ERISA Section 3(38) capacity, Registrant may provide the same services as described above, but may also: create specific asset allocation models that Registrant manages on a discretionary basis, which plan participants may choose in managing their individual retirement account; and/or modify the investment options made available to plan participants on a discretionary basis.

### **FAMILY OFFICES**

The Registrant provides a range of customized family office services, including investment advice, to a few select clients. Registrant family office services may include advice and recommendations about matters including asset allocation; portfolio construction; financial planning - including family governance and succession planning; investment manager selection; service provider selection; service provider fee and expense negotiation; investment transaction verification; and consolidated asset and investment portfolio reporting. Registrant does not provide tax, legal or accounting advice. Each of our family office clients are supported by a team led by a designated Advisor and is supported by our in-house investment team and other subject matter experts and consultants the Registrant may retain to provide us with client-support services, including investment advice. As discussed in Item 5 below, our family office clients will pay Registrant fees based upon certain factors.

### **MISCELLANEOUS**

**Limitations of Financial Planning and Non-Investment Consulting/Implementation Services.** As indicated above, to the extent requested by a client, Registrant may provide financial planning and related consulting services. Neither the Registrant nor its investment adviser representatives assist clients with the implementation of any financial

plan unless they have agreed to do so in writing. The Registrant does not monitor a client's financial plan, and it is the client's responsibility to revisit the financial plan with the Registrant, if desired.

The Registrant may provide financial planning and related consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. The Registrant does not serve as an attorney, accountant, or insurance agency, and no portion of its services should be construed as legal or accounting services. Accordingly, the Registrant does not prepare estate planning documents, tax returns or sell insurance products. To the extent requested by a client, we may recommend the services of other professionals for certain non-investment implementation purpose (i.e. attorneys, accountants, insurance, etc.). Clients are reminded that they are under no obligation to engage the services of any such recommended professional.

The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation made by Registrant or its representatives. If the client engages any unaffiliated recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. At all times, the engaged licensed professional(s) (i.e. attorney, accountant, insurance agent, etc.), and not the Registrant, shall be responsible for the quality and competency of the services provided.

**Retirement Plan Rollovers – No Obligation / Conflict of Interest:** A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). If the Registrant recommends that a client roll over their retirement plan assets into an account to be managed by the Registrant, such a recommendation creates a conflict of interest if the Registrant will earn an advisory fee on the rolled over assets. No client is under any obligation to roll over retirement plan assets to an account managed by Registrant.

**Use of Mutual and Exchange Traded Funds:** Most mutual funds and exchange traded funds are available directly to the public. Therefore, a prospective client can obtain many of the funds that may be utilized by Registrant independent of engaging Registrant as an investment advisor. However, if a prospective client determines to do so, he/she will not receive the Registrant's initial and ongoing investment advisory services.

In addition to Registrant's investment advisory fee described below, and transaction and/or custodial fees discussed above/below, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses).

**Mutual and Exchange Traded Funds with Liquidity Constraints.** The Registrant may utilize mutual funds and/or exchange traded funds that provide for limited liquidity, generally on a quarterly basis. Therefore, if we determined that the fund was no longer performing or if you ever determined to transfer your account, the Fund could not be sold or transferred immediately. Rather, sale or transfer would need to await the quarterly permitted sale date. Moreover, the eventual net asset value for the fund could be

substantially different (positive or negative) than the Fund value on the date that the sale was requested. There can be no assurance that any such strategy will prove profitable or successful. In light of these enhanced risks/rewards, a client may direct us, in writing, not to employ any or all such strategies for the client's account.

**Portfolio Activity.** Registrant has a fiduciary duty to provide services consistent with the client's best interest. As part of its investment advisory services, Registrant will review client portfolios on an ongoing basis to determine if any changes are necessary based upon various factors, including, but not limited to, investment performance, fund manager tenure, style drift, account additions/withdrawals, and/or a change in the client's investment objective. Based upon these factors, there may be extended periods of time when Registrant determines that changes to a client's portfolio are neither necessary nor prudent. Clients nonetheless remain subject to the fees described in Item 5 below during periods of account inactivity.

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

**Miscellaneous Investments.** The Registrant does not recommend structured products or private investment funds. However, the Registrant may, to the extent requested by the client, review investments previously purchased by the client prior to the client's engagement of the Registrant, including structured products and private investment funds. The Registrant will not include any previously purchased structured product or private investment fund assets for the purpose of calculating its advisory fee per the fee schedule at Item 5 below. At no time shall the Registrant accept responsibility for the performance of any such previously purchased assets.

**Business Consulting Services.** The Registrant also provides non-investment related business consulting services to individuals and entities, including professional athletes, per the terms and conditions of a written agreement between the Registrant and the client. The amount of the annual fee will be based on a fixed annual fee basis, the amount of which fee shall depend upon the scope and complexity of the services to be provided.

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

**Disclosure Statement.** A copy of the Registrant's written Brochure and Client Relationship Summary, as set forth on Part 2A of Form ADV and Form CRS respectively, shall be provided to each client prior to, or contemporaneously with, the execution of the *Investment Advisory Agreement* or *Financial Planning and Consulting Agreement*.

- C. The Registrant shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will ascertain each client's investment objective(s). Thereafter, the Registrant shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at any time, impose reasonable restrictions, in writing, on the Registrant's services.
- D. The Registrant does not participate in a wrap fee program.
- E. As of December 31, 2020, the Registrant had \$1,191,643,309 in assets under management on a discretionary basis and \$25,237,494 in assets under management on a non-discretionary basis.

## Item 5 Fees and Compensation

A.

### INVESTMENT ADVISORY SERVICES

The Registrant's annual investment advisory fee shall be based upon a percentage (%) of the market value and type of assets placed under the Registrant's management, accrued interest on bonds and dividends payable on mutual funds (between 0.75% and 1.25%) as follows:

<u>Market Value of Portfolio</u>	<u>% of Assets</u>
\$400,000 - \$1,000,000	1.25%
\$1,000,001 - \$3,000,000	1.00%
\$3,000,001 - \$5,000,000	0.85%
Over \$5,000,001	0.75%

\*Registrant, in its sole discretion, may provide investment advisory services to a client with less than \$400,000 in assets under management for a minimum annual flat fee of \$5,000. In such instances, the minimum annual fee of \$5,000 will be billed quarterly, until such time as the client's assets reach \$400,000. Clients with less than \$400,000 in assets under management will therefore pay a higher percentage fee than if it placed \$400,000 under Registrant's management.

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

Please note: the custodian's statements will not account for the accrued interest on bonds and dividends payable on mutual funds until one or two days into the following quarter. Additionally, please note, there may be deposits or withdrawals made to the client's account on the last billing day of the month that may not be reflected on custodian's

current statement. These transactions will show in the following statement reflecting the actual and accurate date of the deposit or withdrawal. As a result, and in some instances, what Registrant reflects as the client's quarter end balance may be different from what the custodian's statements reflect as the client's ending balance.

### **FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)**

Registrant's planning and consulting fees are negotiable, but generally range from \$1,500 to \$10,000 on a fixed fee basis, and from \$125 to \$250 on an hourly rate basis, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s).

### **RETIREMENT PLAN CONSULTING**

The Registrant may also be engaged to provide investment recommendations to employee profit sharing and 401k plans pursuant to ERISA Section 404(c). The Registrant's fee schedule for these engagements is as follows:

<u>Market Value of Plan Assets</u>	<u>% of Assets</u>
First \$2,500,000	0.50%
\$2,500,001 - \$5,000,000	0.25%
\$5,000,001 - \$10,000,000	0.15%
Over \$10,000,000	0.10%

### **FAMILY OFFICES**

The specific manner in which our family office clients are charged fees is established in a written agreement between each client and Registrant. Fees may differ from the fees in the schedules disclosed above, and each family office will be subject to distinct fee structures based upon certain factors. Registrant may, in its sole discretion, charge a fee based upon the level of service, the level of complexity involved, the expertise of the adviser providing the services, anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, complexity of the engagement, anticipated services to be rendered and the number of hours spent providing services to the client, grandfathered fee schedules, employees and family members, courtesy accounts, competition, and negotiations with client.

- B. Clients may elect to have the Registrant's advisory fees deducted from their custodial account. Both Registrant's *Investment Advisory Agreement* and the custodial/clearing agreement may authorize the custodian to debit the account for the amount of the Registrant's investment advisory fee and to directly remit that management fee to the Registrant in compliance with regulatory procedures.

In the limited event that the Registrant bills the client directly, payment is due upon receipt of the Registrant's invoice. The Registrant shall deduct fees and/or bill clients quarterly in advance, based upon the market value of the assets on the last business day of the previous quarter.

- C. As discussed below, unless the client directs otherwise or an individual client's circumstances require, the Registrant shall generally recommend that TD Ameritrade



Securities, Inc. (“*TD Ameritrade*”) serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as *TD Ameritrade* charge brokerage commissions and/or transaction fees for effecting certain securities transactions. In addition to Registrant’s investment management fee, brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses).

- D. Registrant's annual investment advisory fee shall be prorated and paid quarterly, in advance, based upon the market value of the assets on the last business day of the previous quarter.

The *Investment Advisory Agreement* between the Registrant and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the *Investment Advisory Agreement*. Upon termination, the Registrant shall refund the pro-rated portion of the advanced advisory fee paid based upon the number of days remaining in the billing quarter.

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

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

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

## **Item 7            Types of Clients**

The Registrant’s clients shall generally include individuals, pension and profit sharing plans, business entities, trusts, estates and charitable organizations.

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

- A. The Registrant may utilize the following methods of security analysis:
- Fundamental - (analysis performed on historical and present data, with the goal of making financial forecasts)
  - Technical – (analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices)

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

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

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

Investors generally face the following types of investment risks:

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk may be caused by external factors independent of the fund's specific investments as well as due to the fund's specific investments. Additionally, each security's price will fluctuate based on market movement and emotion, which may, or may not be due to the security's operations or changes in its true value. For example, political, economic and social conditions may trigger market events which are temporarily negative, or temporarily positive.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

- B. The Registrant's methods of analysis and investment strategies do not present any significant or unusual risks.

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

The Registrant's primary investment strategies - Long Term Purchases and Short Term Purchases - are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies

require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy.

In addition to the fundamental investment strategies discussed above, the Registrant may also utilize certain options transactions. (*See discussion below*).

**Covered Call Writing.** Covered call writing is the sale of in-, at-, or out-of- the money call option against a long security position held in a client portfolio. This type of transaction is used to generate income. It also serves to create downside protection in the event the security position declines in value. Income is received from the proceeds of the option sale. Such income may be reduced to the extent it is necessary to buy back the option position prior to its expiration. This strategy may involve a degree of trading velocity, transaction costs and significant losses if the underlying security has volatile price movement. Covered call strategies are generally suited for companies with little price volatility.

- C. Currently, the Registrant primarily allocates client investment assets among various individual equity (stocks) and debt (bonds) securities, mutual funds, exchange-traded funds and covered calls, on a discretionary and/or non-discretionary basis in accordance with the client's designated investment objective(s).

## **Item 9            Disciplinary Information**

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

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

- A. Neither the Registrant, nor its representatives, are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. Neither the Registrant, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.
- C. The Registrant has no other relationship or arrangement with a related person that is material to its advisory business
- D. The Registrant does not receive, directly or indirectly, compensation from investment advisors that it recommends or selects for its clients.

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

- A. The Registrant maintains an investment policy relative to personal securities transactions. This investment policy is part of Registrant's overall Code of Ethics, which serves to establish a standard of business conduct for all of Registrant's Representatives that is

based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

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

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

The Registrant has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of the Registrant’s “Access Persons.” The Registrant’s securities transaction policy requires that Access Person of the Registrant must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person’s current securities holdings at least once each twelve (12) month period thereafter on a date the Registrant selects; provided, however that at any time that the Registrant has only one Access Person, he or she shall not be required to submit any securities report described above.

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

## **Item 12      Brokerage Practices**

- A. In the event that the client requests that the Registrant recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct the Registrant to use a specific broker-dealer/custodian), Registrant generally recommends that investment management accounts be maintained at *TD Ameritrade*. Prior to engaging Registrant to provide investment management services, the client will be required to enter into a formal *Investment Advisory Agreement* with Registrant setting

forth the terms and conditions under which Registrant shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

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

1. Soft-Dollar Arrangement

In return for effecting securities transactions through *TD Ameritrade*, Registrant receives certain investment research products or services that assist the Registrant in its investment decision making process for the client pursuant to Section 28(e) of the Securities Exchange Act of 1934 (generally referred to as a "soft-dollar" arrangement). Investment research products or services received by Registrant may include, but are not limited to, analyses pertaining to specific securities, companies or sectors; market, financial and economic studies and forecasts; financial publications, portfolio management systems, and statistical and pricing services. Although the investment research products or services that are obtained by Registrant will generally be used to service all of Registrant's clients, a brokerage commission paid by a specific client may be used to pay for research that is not used in managing that specific client's account. With respect to investment research products or services obtained by the Registrant that have a mixed use of both a research and non-research (i.e., administrative, etc.) function, Registrant shall make a reasonable allocation of the cost of the product or service according to its use - the percentage of the product or service that provides assistance to the Registrant's investment decision-making process will be paid for with soft dollars while that portion which provides administrative or other non-research assistance will be paid for by the Registrant with hard dollars. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, Registrant's investment management fee.

**The Registrant's Chief Compliance Officer, Kimberlee M. Brown, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**

TD Ameritrade Institutional Customer Program

Registrant participates in *TD Ameritrade's* Institutional Customer Program (the "*Program*"). *TD Ameritrade Institutional* is a division of *TD Ameritrade*, member FINRA/SIPC. *TD Ameritrade* is an independent and unaffiliated SEC-registered broker/dealer. *TD Ameritrade* offers to independent investment advisors services, which include custody of securities, trade execution, clearance and settlement of transactions. The Registrant receives benefits from *TD Ameritrade* through its participation in the *Program*.

The Registrant may recommend *TD Ameritrade* to clients for custody and brokerage services. There is no direct link between Registrant's participation in the *Program* and the investment advice it gives to its clients, although Registrant receives economic benefits through its participation in the *Program* that are not typically available to *TD Ameritrade* retail investors. These benefits include the following products and services (provided without cost or at a discount): duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving advisor participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing research, technology, and practice management products or services provided to Registrant by third party vendors. *TD Ameritrade* may also have paid for business consulting and professional services received by Registrant. Some of the products and services made available by *TD Ameritrade* through the *Program* may benefit Registrant but may not benefit its client accounts. These products or services may assist Registrant in managing and administering client accounts, including accounts not maintained at *TD Ameritrade*. Other services made available by *TD Ameritrade* are intended to help Registrant manage and further develop its business enterprise. *TD Ameritrade* may also pay or reimburse expenses (including travel, lodging, meals and entertainment expenses) for Registrant's representatives to attend conferences or meetings relating to the *Program* or to *TD Ameritrade's* advisor custody and brokerage services generally. The benefits received by Registrant or its representatives through participation in the *Program* do not depend on the amount of brokerage transactions directed to *TD Ameritrade*. Clients should be aware, however, that the receipt of economic benefits by Registrant or its representatives in and of itself creates a conflict of interest and may indirectly influence Registrant's recommendation of *TD Ameritrade* for custody and brokerage services.

Registrant also receives from *TD Ameritrade* certain additional economic benefits ("Additional Services"), valued at up to \$68,200, that may or may not be offered to any other independent investment advisers participating in the *Program*. Specifically, the Additional Services include Ned Davis Research and FactSet Research Systems.

Registrant and *TD Ameritrade* have entered into a separate agreement ("Additional Services Addendum") to govern the terms of the provision of the Additional Services. Please note, there are no minimum share quantities, dollar amounts, or security types required for Registrant's participation in the *Program*, the Soft Dollars program, or for Additional Services. Registrant's receipt of Additional Services is a conflict of interest. In providing Additional Services to Registrant, *TD Ameritrade* most likely considers the amount and profitability to *TD Ameritrade* of the assets in, and trades

placed for, Registrant's client accounts maintained with *TD Ameritrade*. *TD Ameritrade* has the right to terminate the Additional Services Addendum with Registrant, in its sole discretion, provided certain conditions are met. Consequently, in order to continue to obtain the Additional Services from *TD Ameritrade*, Registrant may have an incentive to recommend to its clients that the assets under management by Registrant be held in custody with *TD Ameritrade* and to place transactions for client accounts with *TD Ameritrade*. Registrant's receipt of Additional Services does not diminish its duty to act in the best interests of its clients, including seeking best execution of trades for client accounts.

**The Registrant's Chief Compliance Officer, Kimberlee M. Brown, remains available to address any questions that a client or prospective client may have regarding the above arrangements and the corresponding conflict of interest presented by such arrangements.**

TD Ameritrade Institutional President's Council

Registrant serves on the TD Ameritrade Institutional President's Council ("*Council*"). The Panel consists of independent investment advisors that advise *TD Ameritrade* on issues relevant to the independent advisor community. The *Council* meets in person on average 1-2 times per year and conducts periodic conference calls on an as needed basis. At times, *Council* members are provided confidential information about *TD Ameritrade*. *Council* members are required to sign confidentiality agreements. *TD Ameritrade* does not compensate *Council* members. However, *TD Ameritrade* pays or reimburses Registrant for the travel, lodging and meal expenses Registrant incurs in attending *Council* meetings. The benefits received by Registrant or its personnel by serving on the *Council* do not depend on the amount of brokerage transactions directed to *TD Ameritrade*. Clients should be aware, however, that the receipt of economic benefits by Registrant or its related persons in and of itself creates a conflict of interest and may indirectly influence Registrant's recommendation of *TD Ameritrade* for custody and brokerage services.

**The Registrant's Chief Compliance Officer, Kimberlee M. Brown, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**

TD Ameritrade AdvisorDirect Program

*TD Ameritrade* AdvisorDirect (the "*AdvisorDirect*"). In addition to meeting the minimum eligibility criteria for participation in *AdvisorDirect*, Registrant may have been selected to participate in *AdvisorDirect* based on the amount and profitability to *TD Ameritrade* of the assets in, and trades placed for, client accounts maintained with *TD Ameritrade*. *TD Ameritrade* is a discount broker-dealer independent of and unaffiliated with Registrant and there is no employee or agency relationship between them. *TD Ameritrade* has established the referral program as a means of referring its brokerage customers and other investors seeking fee-based personal investment management services or financial planning services to independent investment advisors. *TD Ameritrade* does not supervise Registrant and has no responsibility for Registrant's management of client portfolios or Registrant's other advice or services. Registrant pays *TD Ameritrade* an on-going fee for each successful client referral. This fee is usually a percentage (not to exceed 25%) of the advisory fee that the client pays to Registrant ("*Solicitation Fee*"). Registrant will also pay *TD Ameritrade* the *Solicitation Fee* on any advisory fees received by Registrant from any of a referred

client's family members, including a spouse, child or any other immediate family member who resides with the referred client and hired Registrant on the recommendation of such referred client. Registrant will not charge clients referred through *AdvisorDirect* any fees or costs higher than its standard fee schedule offered to its clients or otherwise pass Solicitation Fees paid to *TD Ameritrade* to its clients.

Registrant's participation in *AdvisorDirect* raises conflicts of interest. *TD Ameritrade* will most likely refer clients through *AdvisorDirect* to investment advisors that encourage their clients to custody their assets at *TD Ameritrade* and whose client accounts are profitable to *TD Ameritrade*. Consequently, in order to obtain client referrals from *TD Ameritrade*, Registrant may have an incentive to recommend to clients that the assets under management by Registrant be held in custody with *TD Ameritrade* and to place transactions for client accounts with *TD Ameritrade*. In addition, Registrant has agreed not to solicit clients referred to it through *AdvisorDirect* to transfer their accounts from *TD Ameritrade* or to establish brokerage or custody accounts at other custodians, except when its fiduciary duties require doing so. Registrant's participation in *AdvisorDirect* does not diminish its duty to seek best execution of trades for client accounts.

In addition, Registrant receives additional benefits from participation in *AdvisorDirect*. There is no direct link between Registrant's participation in the program and the investment advice it gives to its clients, although Registrant receives economic benefits through its participation in the program that are typically not available to *TD Ameritrade* retail investors. These benefits include the receipt of duplicate client statements; access to a trading desk serving adviser participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to Registrant by third party vendors. The benefits received by Registrant or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to *TD Ameritrade*. As part of its fiduciary duties to clients, Registrant endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by Registrant or its representatives creates a conflict of interest.

**The Registrant's Chief Compliance Officer, Kimberlee M. Brown, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**

#### Schwab Advisory Board

The Registrant's President and Chief Compliance Officer, Kimberlee Brown, serves on the Schwab Advisor Services Advisory Board (the "Advisory Board"). As discussed above, the Registrant may recommend that clients establish brokerage accounts with Charles Schwab & Co., Inc. ("Schwab") and/or its affiliates (e.g. TD Ameritrade Institutional) to maintain custody of the clients' assets and effect trades for their accounts.



The Advisory Board consists of representatives of independent investment advisory firms who have been invited by Schwab management to participate in meetings and discussions of Schwab Advisor Services' services for independent investment advisory firms and their clients. Advisory Board members enter into nondisclosure agreements with Schwab under which they agree not to disclose confidential information shared with them. This information generally does not include material nonpublic information about the Charles Schwab Corporation, whose common stock is listed for trading on the New York Stock Exchange (symbol SCHW). The Advisory Board meets in person or virtually approximately twice per year and has periodic conference calls scheduled as needed. Advisory Board members are not compensated by Schwab for their service, but Schwab does pay for or reimburse Advisory Board members' travel, lodging, meals and other incidental expenses incurred in attending Advisory Board meetings.

#### "iRebal"

Registrant considers a number of factors in selecting brokers and custodians at which to locate (or recommend location of) its client accounts, including, but not limited to, execution capability, experience and financial stability, reputation and the quality of services provided. In selecting *TD Ameritrade* as the broker and custodian for certain of its current and future client accounts, Registrant takes into consideration its arrangement with *TD Ameritrade* as to obtaining price discounts for *TD Ameritrade's* automatic portfolio rebalancing service for advisors known as "iRebal."

The standard iRebal annual license fee applicable to Registrant is approximately \$50,000. That fee is subject to specified reductions (and even complete waiver) if specified amounts of client taxable assets are either already on the *TD Ameritrade* platform or are committed to be placed on it. Specified taxable client assets either maintained on or committed to the *TD Ameritrade* platform will bring fee reductions of up to 100% per year for each of as many as three years or more.

The non-taxable assets excluded from the maintenance and commitment levels described above are those that constitute "plan assets" of plans subject to Title 1 of the Employee Retirement Income Security Act of 1974, amended, or of plans as defined in Section 4975 of the Internal Revenue Code (which include IRAs).

If Registrant does not maintain the relevant level of taxable assets on the *TD Ameritrade* platform, Registrant may be required to make a penalty fee payment to *TD Ameritrade* calculated on the basis of the shortfall.

Although *Registrant* believes that the products and services offered by *TD Ameritrade* are competitive in the market place for similar services offered by other broker-dealers or custodians, the arrangement with *TD Ameritrade* as to the iRebal service may affect Registrant's independent judgment in selecting or maintaining *TD Ameritrade* as the broker or custodian for client accounts.

**The Registrant's Chief Compliance Officer, Kimberlee M. Brown, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**

#### Research and Additional Benefits

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, Registrant receives from *TD Ameritrade* (or another broker-dealer/custodian, investment platform, unaffiliated investment manager, vendor, unaffiliated product/fund sponsor, or vendor) without cost (and/or at a discount) support services and/or products, certain of which assist the Registrant to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by the Registrant may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by Registrant in furtherance of its investment advisory business operations.

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

There is no corresponding commitment made by the Registrant to *TD Ameritrade* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as result of the above arrangement.

**The Registrant's Chief Compliance Officer, Kimberlee M. Brown, remains available to address any questions that a client or prospective client may have regarding the above arrangements and the corresponding conflicts of interest presented by such arrangements.**

2. Registrant receives client referrals from *TD Ameritrade* through its participation in *AdvisorDirect*.

**The Registrant's Chief Compliance Officer, Kimberlee M. Brown, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**

3. The Registrant does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and Registrant will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by Registrant. As a result, client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

In the event that the client directs Registrant to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions

or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through Registrant. Higher transaction costs adversely impact account performance.

Transactions for directed accounts will generally be executed following the execution of portfolio transactions for non-directed accounts.

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

- B. To the extent that the Registrant provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless the Registrant decides to purchase or sell the same securities for several clients at approximately the same time. The Registrant may (but is not obligated to) combine or "bunch" such orders to seek best execution, to negotiate more favorable commission rates or to allocate equitably among the Registrant's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. The Registrant shall not receive any additional compensation or remuneration as a result of such aggregation.

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

- A. For those clients to whom Registrant provides investment supervisory services, account reviews are conducted on an ongoing basis by the Registrant's Principals and/or representatives. All investment supervisory clients are advised that it remains their responsibility to advise the Registrant of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review financial planning issues (to the extent applicable), investment objectives and account performance with the Registrant on a regular basis.
- B. The Registrant may conduct account reviews on an other than periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.
- C. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. The Registrant may also provide a written periodic report summarizing account activity and performance. Please note: the custodian's statements will not account for the accrued interest on bonds and dividends payable on mutual funds until one or two days into the following quarter. Additionally, please note, there may be deposits or withdrawals made to the client's account on the last billing day of the month that may not be reflected on custodian's current statement. These transactions will show in the following statement reflecting the actual and accurate date of the deposit or withdrawal. As a result, and in some instances, what Registrant reflects as the client's quarter end balance may be different from what the custodian's statements reflect as the client's ending balance.

## Item 14      Client Referrals and Other Compensation

- A. As referenced in Item 12.A.1 above, the Registrant receives an economic benefit from *TD Ameritrade*. The Registrant, without cost (and/or at a discount), receives support services and/or products from *TD Ameritrade*.

There is no corresponding commitment made by the Registrant to *TD Ameritrade* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as result of the above arrangement.

**The Registrant's Chief Compliance Officer, Kimberlee M. Brown, remains available to address any questions that a client or prospective client may have regarding the above arrangements and the corresponding conflicts of interest presented by such arrangements.**

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

## Item 15      Custody

The Registrant shall have the ability to have its advisory fee for each client debited by the custodian on a quarterly basis. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. The Registrant may also provide a written periodic report summarizing account activity and performance.

To the extent that the Registrant provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by the Registrant with the account statements received from the account custodian. The account custodian does not verify the accuracy of the Registrant's advisory fee calculation. Please note: the custodian's statements will not account for the accrued interest on bonds and dividends payable on mutual funds until one or two days into the following quarter. Additionally, please note, there may be deposits or withdrawals made to the client's account on the last billing day of the month that may not be reflected on custodian's current statement. These transactions will show in the following statement reflecting the actual and accurate date of the deposit or withdrawal. As a result, and in some instances, what Registrant reflects as the client's quarter end balance may be different from what the custodian's statements reflect as the client's ending balance.

**Custody Situations:**

In addition, Registrant engages in certain custody-related services and/or practices ( e.g., asset transfer authorization and facilitation of client check deposits) that are disclosed at Item 9 of Part 1 of Form ADV. These services and practices are subject to an annual surprise CPA examination.

**The Registrant's Chief Compliance Officer, Kimberlee M. Brown, remains available to address any questions that a client or prospective client may have regarding custody-related issues.**

**Item 16 Investment Discretion**

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

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

**Item 17 Voting Client Securities**

- A. The Registrant does not vote client proxies. Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets.
- B. Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact the Registrant to discuss any questions they may have with a particular solicitation.

**Item 18 Financial Information**

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

- C. The Registrant has not been the subject of a bankruptcy petition.

**The Registrant's Chief Compliance Officer, Kimberlee M. Brown, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.**