

Part 2A of Form ADV: Firm Brochure

Item 1 Cover Page

# Rhodes Investment Advisors, Inc.

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This brochure provides information about the qualifications and business practices of Rhodes Investment Advisors, Inc. It is prepared pursuant to regulatory requirements. If you have any questions about the contents of this brochure, please contact us at the phone number or website listed above. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority. Additional information about Rhodes Investment Advisors, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Dated: June 23, 2021**

## Item 2 Material Changes

This Form ADV, Part 2, also known as the “Brochure”, requires disclosure on distinct topics, and answers must be presented in the order of the items in the form, using the headings in the form. We urge you to carefully review all subsequent summaries of material changes, as they will contain important information about any significant changes to our advisory services, fee structure, business practices, conflicts of interest, and disciplinary history.

After the initial filing of this Brochure, this Item will be used to provide our clients with a summary of new and/or updated information. We will inform you of the revision(s) based on the nature of the updated information.

**Summary of Material Changes:**

Please note that there were no “material changes” made to this Brochure since our last delivery or posting of the Brochure on the SEC’s public disclosure website; however, this Brochure does include a number of minor editorial changes and the updated information on our assets under management.

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## Item 4 Advisory Business

### INTRODUCTION

Rhodes Investment Advisors, Inc. has been a registered investment advisory firm since May 22, 1996. Our registration as an Investment Adviser does not imply any level of skill or training. The oral and written communications we provide you, including this Brochure, is information you can use to evaluate us and other advisers, which are factors in your decision to hire us or to continue to maintain a mutually beneficial relationship. This Brochure provides information about our qualifications and business practices.

### OWNERSHIP

Rhodes Investment Advisors, Inc. is 100% owned by Jim G. Rhodes, CEO. J. Gordon Rhodes is the President and Chief Compliance Officer of Rhodes Investment Advisors, Inc.

### ADVISORY SERVICES OFFERED

Rhodes Investment Advisors, Inc. is an investment advisory firm providing:

- Portfolio Management
- Consulting services
- Financial Planning
- Third Party Manager Selection

Portfolios can consist of individual stocks and bonds, options, ETF's, mutual funds, cash, and other securities.

Our service constitutes an ongoing process by which:

- a) Your investment objectives, constraints and preferences are identified and specified;
- b) Your strategies are developed and implemented through a combination of financial assets;
- c) Capital market conditions and your circumstances are monitored; and
- d) Portfolio adjustments are made as appropriate to reflect significant changes to any or all of the above relevant variables.

### PORTFOLIO MANAGEMENT:

We provide portfolio management services on either a discretionary or non-discretionary basis.

On a discretionary basis, we design, revise, and reallocate a custom portfolio for you. The investments are determined based upon your investment objectives, risk tolerance, net worth, net income, age, time horizon, tax situation and other various suitability factors.

On a non-discretionary basis, we provide periodic recommendations to you and if such recommendations are approved, we will ensure that the authorized recommendations are carried out.

In making investment decisions on behalf of you or when making recommendations to you, we shall rely on your profile document or questionnaire completed by you. Restrictions and guidelines imposed by you may affect the composition and performance of custom portfolios (as a result, performance of custom portfolios within the same investment objective may differ and you should not expect that the performance of your custom portfolio to be identical to any other individuals portfolio performance) as well as recommendations provided to you.

Custody of your accounts for both securities and funds will be maintained at Wells Fargo Clearing Services, LLC the designated custodian and clearing firm for Rhodes Securities, Inc., or other qualified custodian.

### Assets Under Management as of 04/30/2021:

|                              |               |
|------------------------------|---------------|
| Total Discretionary AUM-     | \$233,734,223 |
| Total Non-Discretionary AUM- | \$114,811,155 |

**FINANCIAL PLANNING SERVICES:**

We also provide advice in the form of a Financial Plan. If you purchase this service, you will receive a written report, providing a detailed financial plan designed to achieve your stated goals and objectives. We will also provide you the opportunity to be active in the plan preparation by providing information we need. Our Financial Plans will address any or all of the following areas of concern:

Personal: Family records, budgeting, personal liability, estate information and financial goals.

Tax & Cash Flow: Income tax and spending analysis and planning for past, current, and future years. We will illustrate the impact of various investments on your current income tax and future tax liability.

Death & Disability: Cash needs at death, income needs of surviving dependents, estate planning and disability income analysis.

Retirement: Analysis of your current strategies and investment plans to help you achieve your retirement goals.

Investments: Analysis of investment alternatives and their effect on your portfolio.

We gather the required information through in-depth personal interviews. Information gathered includes a current financial status, future goals, and attitudes towards risk. Related documents supplied by you and a completed questionnaire are carefully reviewed and a written report is prepared. Implementation of the prepared plan or recommendations is solely at your discretion and you will also determine how you want to implement the plan or recommendations. We encourage you to utilize any desired professional or group of professionals to assist in the implementation.

**THIRD PARTY INVESTMENT ADVISER SELECTION SERVICES:**

We may recommend that you utilize the services of a Third-Party Investment Adviser ("TPA") to manage your portfolio. We would recommend to you a TPA whose investment style is believed to be consistent with your financial needs, investment goals, tolerance for risk and stated investment objectives. Upon selection of a TPA, we will monitor the performance of the TPA to ensure their performance and investment style remains aligned with the investment goals and objectives, the TPA is granted discretionary authority by you to manage and invest your assets.

Clients who are referred to TPA's will receive full disclosure, including services rendered and fee schedules at the time of the referral by delivery of a copy of the relevant TPA's brochure or equivalent disclosure document.

We have entered into agreements with various TPA's including but not limited to Green Investment Management, Inc., First Clearing Corporation, LLC, TD Ameritrade, ICON Distributors, Assetmark, Inc., Genworth Financial Wealth Management, Loring Ward, SEI Investments, BTS Asset Management, Inc. and First Mercantile. Currently, the only TPA that we are using is Green Investment Management, Inc.

The Manager of the TPA may impose a minimum dollar amount of initial client assets for the investment advisory services as disclosed in the management agreement. These minimums may be waived at the Manager's discretion. You will be provided the appropriate Manager's disclosure statement, in addition to the Manager's ADV Part II and privacy policy, prior to placing the assets with the Manager.

**CONSULTING SERVICES:**

You can also receive investment advice on a more limited basis. This may include advice on only an isolated area(s) of concern such as estate planning, retirement planning, or any other specific topic. We provide specific consultation services regarding your current or projected financial position or other investment and financial concerns that you may have.

## Item 5 Fees and Compensation

### Assets Under Management- Portfolio Management Program Fee Schedule:

| <u>Assets Under Management</u> | <u>Annualized Fee</u> |
|--------------------------------|-----------------------|
| \$ 0 to \$ 250,000             | 3.00%                 |
| \$250,001 to \$ 500,000        | 2.00%                 |
| \$500,001 to \$1,000,000       | 1.00%                 |
| Over \$1,000,000               | Negotiable            |

The above listed fees may be in excess of the industry norm. Similar advisory services may be obtained for less. We have a minimum managed account size of \$10,000; however, our account minimums and fees charged are negotiable. Portfolio Management fees will be billed in one of two ways:

- (1) Fees will be directly deducted from your account at the custodian quarterly in advance from your accounts within thirty (30) days following the end of the quarter. We will send the qualified custodian written notice of the amount of the fee to be deducted from your account.

We and/or the custodian shall provide written notice/invoice documentation reasonably supporting the determination of the investment advisor fees. The Custodian will send to you a quarterly Account statement that shows the amount of our advisory fee, the value of your assets upon which the fee was based, and the specific manner in which the fee was calculated. We will verify that the Custodian sends Account statements on a quarterly basis.

You should compare invoices for advisory fees to the corresponding custodian statement. Statements should be received from the custodian no less than quarterly. If statements are not received, contact us immediately.

- (2) Fees will be directly invoiced on a quarterly basis within (30) days following the end of the quarter.

Our fees are based on the percentages listed in the Fee Schedule on ending account market values based on the calendar quarter custodial statement. Fees for the initial quarter will be adjusted pro-rata based upon the number of calendar days in the calendar quarter that the Agreement goes into effect.

Fees are calculated by multiplying the assets under management market value by the relevant percent and dividing such product by four (4). Accounts opened in mid-quarter will be assessed at a pro-rated management fee.

We are not compensated on the basis of a share of either capital gains or capital appreciation, or any portion of the portfolio.

Either party may terminate the Portfolio Management Agreement at any time and for any reason, upon thirty (30) days written notice to the other party. Upon notice of termination, we will await further instructions from you as to what steps you request to liquidate and/or transfer the portfolio and remit the proceeds. Upon instructions received, we will instruct broker dealers, mutual fund sponsors, and others to liquidate and/or transfer the portfolio and remit proceeds back to you or a designated third party. A refund of our unearned Portfolio Management Fee will be made on a prorated basis from the time of termination.

No proration for breakpoints are achieved during the quarter. Breakpoints are applied when billing occurs in the next quarter.

All accounts for members of your family (husband, wife, and dependent children) or related businesses

may be assessed fees based on the total balance of all accounts, e.g. per household.

**ERISA Accounts, Profit Sharing 401(k), SEP's:**

We may also have other retirement accounts which are subject to ERISA rules and regulations. In all cases an "eligible investment advice arrangement" or advisory agreement will be executed with the Client. We will be considered a "fiduciary advisor" and will charge fees to the retirement account.

**Additional Types of Fees or Expenses:**

Portfolio Management fees do not include certain charges imposed by third-parties which may include, but are not limited to, the following: mutual fund or money market 12b-1 and sub transfer fees, fund or money market management fees and administrative expenses, mutual fund transaction fees, certain deferred sales charges on previously purchased mutual funds transferred into the account, IRA and qualified retirement plan fees, and other charges required by law. Additional fees may be incurred while the funds are in a money market fund or other no-load fund. These fees are charged and collected by the mutual funds and are not refundable to you. See Additional Discussion "Other Compensation Received".

**Financial Planning Fee Schedule:**

Our financial planning fee depends on the scope, complexity, and work to be performed by our firm. Financial Planning fees are charged on an hourly rate between \$115 and \$200 depending on the advisory agent. The Financial Plan fee is negotiated with you prior to preparation. The fee will be billed at time of service and will be due upon receipt of an invoice.

**Third Party Adviser Selection Fee Schedule:**

The fees payable to us for these referral services depend upon the fee arrangement between our Firm and the TPA to whom you are referred to. The basic fee schedule for these services will vary based on the TPA chosen to provide this service. The fee will be based on the amount of assets managed and may be negotiable. In no event will the annual management fee exceed 3.00%. The fee will be paid according to the management agreement of the chosen TPA. All fees will be payable directly to the TPA to which discretionary authority is granted and split according to the arrangement between our Firm and the TPA to whom you are referred. Complete disclosure of the amount of the fee received by us will be available in the management agreement given to you under "Solicitor Disclosure". We will not receive a commission for any transaction. Your account will be held with the TPA's custodian, where your fees will be assessed and deducted.

You may terminate the management agreement according to the terms disclosed in the management agreement. If fees are paid prior to service being rendered, and you terminate services, the prorated fees for the portion not used will be returned.

**Consulting Fee Schedule:**

Our stand alone, non-process based consultation services including and not necessarily limited to portfolio review, investment policy development, and investment due diligence will be billed on a progress basis and at hourly rates not in excess of \$200 per hour.

**Other Compensation Received:**

Our Firm is also an insurance agency whereby affiliated advisory agents may sell insurance products to you. If you elect to implement the plan or buy insurance through our Firm or our Advisory Agents, then the agents would receive a commission from the insurance sales, which includes life, accident, disability, and fixed annuities. This presents a conflict of interest because they will receive a commission for these services, which is separate from the portfolio management, financial planning and other services provided. Sales of insurance products make up about 25% of our Firm's business.

Rhodes Securities, Inc., (Member FINRA/SIPC) our affiliated broker/dealer, executes client securities transactions. Some of our Agents are registered representatives of Rhodes Securities, Inc. In this capacity, our agents may sell securities through Rhodes Securities, Inc. and as such they are able to accept compensation for the sale of securities or other investment products, including but not limited to the distribution or service ("trail") fees from the sale of mutual funds, annuities, alternative asset funds

and other similar investment products. . This presents a conflict of interest to the extent that the advisory agent recommends that you invest in a security which results in a commission being paid to the advisory agent. Jim G. Rhodes is the sole owner of the Advisor. Jim G. Rhodes is a 25% shareholder and J. Gordon Rhodes is a 50% shareholder of Rhodes Securities, Inc., the Broker/Dealer. Commission-based transactions make up about 65% of the combined business.

First Clearing, LLC merged and consolidated its operations into Wells Fargo Advisors, LLC. The resulting firm is now known as Wells Fargo Clearing Services, LLC (WFCS), Member SIPC, a registered broker-dealer. First Clearing is also a trade name used by WFCS when carrying customer accounts and acting as custodian for funds and securities deposited through introducing firms such as Rhodes Securities, Inc., our affiliated broker/dealer as a result of transactions it processes for our customer accounts. Rhodes Securities, Inc., has established a clearing firm arrangement with First Clearing to act as the qualified custodian and clearing broker/dealer for all our client accounts. Through this clearing arrangement, Rhodes Securities receives various forms of compensation based on activity in our client advisory accounts. Rhodes Securities receives compensation from First Clearing by sharing of a portion of a portion of the transaction costs and fees you pay and from client debit and credit balances, i.e.: the difference between what First Clearing receives in interest and what it actually pays the client and what the client pays in interest on margin accounts and what First Clearing's actual costs are. Rhodes Securities, Inc. receives a monthly fee calculated on the average net assets in the Wells Fargo Bank Sweep Program, and the compensation paid affects the interest credited to your account. First Clearing also provides Rhodes Securities with other economic benefits including but not limited to, recruiting costs concessions, and clearing agreement renewal retention awards. Neither our Firm, nor its advisory agents are affiliates of First Clearing Corp.

In general, these revenue sources include a percentage or portion of fees and transaction charges collected by First Clearing and shared with Rhodes Securities, such as:

- (1) margin interest charges
- (2) IRA fees
- (3) inactivity fees
- (4) ticket charges
- (5) postage & handling fees
- (6) mutual fund 12b-1 trails and/or other fees
- (7) money market and bank sweep interest
- (8) other miscellaneous charges.

Additional details are provided below:

- Transfer Charges: You can be assessed transfer charges on account transactions and other miscellaneous charges by First Clearing on account transactions.
- Margin Interest Charges: To the extent margin is available, such accounts must meet certain risk tolerance requirements. When margin is used to buy additional securities, the total value of eligible program assets increases. In addition, you can be charged margin interest on debit balances in your account.
- Mutual Fund 12b-1 Trails: Certain funds in which a client's account may be invested may make payments to broker-dealers, including us, whose clients invest in the fund. Such payments may constitute all or a portion of the front-end load (sales commission imposed at the time of purchase) or back-end load (sales commission deferred until the time of redemption) charged on fund share transactions. Such payments may also consist of on-going 12b-1 fees paid by the fund (sometimes referred to as "trailing fees") pursuant to a 12b-1 distribution plan or pursuant to another arrangement as compensation for distribution or shareholder or administrative services and may be paid out of the fund's assets.
- To the extent a client's assets are invested in funds, the client will also be subject to other fees

and charges as a fund shareholder, which are in addition to commissions and other transactions fees and charges paid to us. Those will include fees and charges imposed on shareholders of the fund or imposed on the fund and borne indirectly by shareholders, such as management fee charged to the fund by the fund's investment adviser, as well as other internal fees and charges, including in some cases 12b-1 fees.

- **Money Market & Bank Sweep Interest:** If your account has invested in a mutual fund money market that pays interest or a Bank Sweep vehicle that pays interest, Rhodes Securities may receive a portion of the interest paid by First Clearing which reduces your interest received. Deposit products, like the cash sweep program, are protected by FDIC insurance up to applicable limits. Funds deposited through Bank Sweep Programs are not eligible for SIPC coverage. You can find more specific information about the Bank Sweep Program by reviewing the Bank Deposit Sweep Program Disclosure Document.
- **Other Fees:** You may also be charged additional fees for executing certain transactions. Examples include transaction charges, ticket charges or service fee/charges for which Rhodes Securities may receive a portion of.
- **Miscellaneous Fees:** Rhodes Securities also reserve the right to charge additional fees to close an account except when your state of residence prohibits an account closing fee. Refer to your agreement for specific fees and additional information.

This compensation that Rhodes Securities receives in connection with certain transactions and services is an additional source of revenue to Rhodes Securities and defrays the costs associated with maintaining and servicing client accounts and includes compensation to Rhodes Securities, and presents a conflict of interest because there is a greater incentive to make available, recommend, or make investment decisions regarding investments and services that provide additional compensation to Rhodes Securities over those investments and services that do not. Rhodes Securities addresses this conflict of interest by not incentivizing (or disincentivizing) Advisory agents to offer such services because Advisory agents do not share in the revenue (or costs) associated with the services. Additionally, we review service activity, comparing it to account investment objectives and overall suitability.

You also have the option to purchase investment products that we recommend through other brokers or agents that are not affiliated with us.

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

We do not charge performance-based fees, nor do we provide side by side management services.

## Item 7 Types of Clients

### **Client Base:**

Our customer base may consist of individuals (to also include high net worth individuals), trusts, estates, pension, and profit-sharing plans and corporations. These are the types of clients that we service, but we may not have all these types as current clients at any one time.

### **Conditions for Account Management:**

We have imposed a minimum account size of \$10,000 in assets to be managed by us. We will aggregate related accounts in the same household to meet account minimums. We may make exception to this minimum from time to time based on individual factors.

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

### **Methods of Analysis & Investment Strategies:**

We work with you to devise an investment strategy to meet your financial objectives. This includes:

- discussion regarding your objectives
- review of existing holdings
- ongoing analysis of funds
- advice on best direction for new investments
- updates of specific changes within the market or to particular funds
- regular monitoring of recommended investments and yearly review

The flexibility of our strategies gives us the ability to best manage investment risks in any investment market.

We use Charting, Fundamental, and Technical security analysis methods.

Charting Analysis is a way of gathering and processing price and volume information of a particular security by applying mathematical equations and then plotting the resulting data onto graphs in order to predict future price movements.

Fundamental Analysis involves using real data to evaluate a security's value. We perform fundamental analysis on a securities value by looking at economic factors, such as interest rates and the overall state of the economy, information about issuers, potential changes in credit ratings, revenues, earnings, future growth, return on equity, profit margins and other data to determine underlying value and potential for future growth.

Technical Analysis involves studying supply and demand in the market to determine what direction, or trend will continue in the future by understanding the emotions in the market as opposed to its components and focuses on the effect of previous price movements. Understanding the benefits and limitations of technical analysis can give a new set of tools or skills that will enable us to be a better trader or investor.

Our security analysis information is based on a number of factors including financial newspapers, periodicals, commercially available investment services, issuer prepared information, security rating services, general market and financial information, due diligence reviews and specific investment analysis that you may request.

### **Risk of Loss:**

Investing in securities involves risk of loss that you should be prepared to bear. The advice offered by us to you is determined by the areas of expertise of the agent providing the service and your stated objective. You are advised to notify our Firm promptly if there are ever any changes in your financial situation or investment objective or if you wish to impose any reasonable restrictions upon our management services. If you wish to impose any reasonable restrictions upon our management services, you will need to advise us in writing of any restrictions.

We do not represent, warrant, or imply that the services or methods of analysis employed by us can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines. All securities trading, whether in stocks, options, or other investment vehicles, is speculative in nature and involves substantial risk of loss that you should be prepared to bear. Past performance is not necessarily indicative of future results. You should make every effort to understand the risks involved.

**The Principle Risks of Investing include, but are not limited to:**

**Allocation Risk:** Our allocation of investments among different asset classes, such as equity or fixed-income assets classes, can have a more significant effect on your returns when one of these classes is performing more poorly than others.

**Alternative Investments Risks:** Alternative investments are speculative, subject to high return volatility and involve aggressive investment techniques and a high degree of risk including, but not limited to, the risks associated with leverage, derivative instruments such as options and futures, commodities, and distressed securities may be illiquid on a long term basis and short sales. There can be no assurance that these types of strategies will achieve their objectives or avoid substantial losses.

**Credit Risk:** Your investments are subject to credit risk. An investments credit quality depends on its ability to pay interest on and repay its debt and other obligations.

**Currency Risk:** Your investments can be subject to currency risk. Currency fluctuations and changes in the exchange rates between foreign currencies and the U.S. dollar could negatively affect the value of your investments in foreign securities.

**Equity Risk:** Your investments will be subjected to the risk that stock prices can fall over short or extended periods of time. Historically, the equity markets have moved in cycles, and the value of equity securities in your portfolio can fluctuate drastically from day to day. Individual companies may report poor results or be negatively affected by industry and/or economic trends and developments. The prices of securities issued by such companies can suffer a decline in response. These factors will contribute to the volatility and risk of your assets.

**Exchange Traded Fund ("ETF") Risk:** Most ETFs are passively managed investment companies whose shares are purchased and sold on a securities exchange. An ETF represents a portfolio of securities designed to track a particular market segment or index. ETFs are subject to the following risks that do not apply to conventional funds: The market price of the ETF's shares may trade at a premium or a discount to their net asset value; An active trading market for an ETF's shares may not develop or be maintained; and There is no assurance that the requirements of the exchange necessary to maintain the listing of an ETF will continue to be met or remain unchanged.

**Focused and Concentrated Portfolio Risks:** We will often invest your assets in a smaller number of securities than other broadly diversified investment strategies. Our approach is often referred to as "focused, concentrated, or non-diversified". Accordingly, the money we manage for you can have more volatility and is often considered to have more risk than a strategy that invests in a greater number of securities because changes in the value of a single security can have a more significant effect, either negative or positive, on your overall portfolio value. To the extent we invest your assets in fewer securities, or we investment in non-diversified funds that take a focused or concentrated approach, your assets are subject to greater risk of loss if any of those securities become permanently impaired.

**Foreign Securities Risk:** We have the ability to invest in foreign securities, and, from time to time, a significant percentage of your assets can be composed of foreign investments. Foreign investments involve greater risk in comparison to domestic investments because foreign companies/securities: can have different auditing, accounting, and financial reporting standards; may not be subject to the same degree of regulation as U.S. companies, and can have less publicly available information than U.S. companies; and are often denominated in a currency other than the U.S. dollar.

**General Risks:** Your investments with us are not a deposit of a bank and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Accordingly, you can lose money by investing with us. When you sell your investments, they can be worth less than what you paid for them because the value of investments will fluctuate reflecting day-to-day changes in market conditions, interest rates and a number of other factors.

**Inflation Risk:** This is the risk that the value of your assets or income you're your investments will be less in the future as inflation decreases the value of your money. As inflation increases, the value (purchasing

power) of your assets can decline. This risk increases as we invest a greater portion of your assets in fixed-income securities with longer maturities.

**Interest Rate Risk:** Your investments are subject to interest rate risk. Interest rate risk is the risk that the value of a security will decline because of a change in general interest rates. Investments subject to interest rate risk will usually decrease in value when interest rates rise. For example, fixed-income securities with long maturities typically experience a more pronounced change in value when interest rates change.

**Junk Bond/High-Yield Security Risk:** We can invest your assets in Junk Bonds or High-Yield, lower rated securities. Investments in fixed-income securities that are rated below Investment grade can be subject to greater risk of loss of principal and interest than investments in higher-rated fixed-income securities. The market for high yield securities can be less liquid than the market for higher-rated securities. High yield securities are also generally considered to be subject to greater market risk than higher-rated securities. The capacity of issuers of high yield securities to pay interest and repay principal is more likely to weaken than is that of issuers of higher-rated securities in times of deteriorating economic conditions or rising interest rates.

**Liquidity Risk:** Liquidity risk exists when particular investments are difficult to purchase or sell, possibly preventing us from selling out of these illiquid securities at an advantageous price.

**Market Risk:** Stock and bond markets often trade in random price patterns, and prices can fall over sustained periods of time. The value of the investments we make for you will fluctuate as the financial markets fluctuate. This could result in your account value(s) declining over short or long-term periods of time.

**Margin Risk:** Margin is an investment strategy with a high level of inherent risk. A margin transaction occurs when an investor uses borrowed assets to purchase financial instruments. The investor generally obtains the borrowed assets by using other securities as collateral for the borrowed sum. The effect of purchasing a security using margin is to magnify any gains or losses sustained by the purchase of the financial instruments on margin. Please Note: To the extent that a client authorizes the use of margin, and margin is thereafter employed by Rhodes in the management of the client's investment portfolio, the market value of the client's account and corresponding fee payable by the client to Rhodes may be increased. As a result, in addition to understanding and assuming the additional principal risks associated with the use of margin, clients authorizing margin are advised of the potential conflict of interest whereby the client's decision to employ margin may correspondingly increase the management fee payable to Rhodes. Accordingly, the decision as to whether to employ margin is left totally to the discretion of client.

**Municipal Securities:** Municipal securities carry additional risks than those of corporate and bank-sponsored debt securities described above. These risks include the municipality's ability to raise additional tax revenue or other revenue (in the event the bonds are revenue bonds) to pay interest on its debt and to retire its debt at maturity. Municipal bonds are generally tax-free at the federal level, but may be taxable at the state level. Some municipal bonds may be taxable at the federal and state level.

**Mutual Funds Risk:** Mutual Funds are managed independently of a client's account and incur additional fees and/or expenses which are borne indirectly by the client's account in connection with any such investment. There is also a risk that a fund manager may deviate from the stated investment strategy of the fund making it less suitable. Additionally, these investments are subject to the same risks as the underlying investments.

**Prepayment Risk:** Your investments can be subject to prepayment risk. Prepayment risk occurs when the issuer of a security can repay principal prior to the security's maturity. Securities subject to prepayment can offer less potential for gains during a declining interest rate environment and similar or greater potential for loss in a rising interest rate environment. In addition, the potential impact of prepayment features on the price of a security can be difficult to predict and result in greater volatility.

**Small- to Medium-Capitalization Risk:** We can invest your assets in small to medium sized companies. Shares of small to medium sized companies can have more volatile share prices. Furthermore, the securities of small to medium companies often have less market liquidity and their share prices can react with more volatility to changes in the general marketplace.

**Special Situation Risk:** We can invest your assets in special situations. Investments in special situations can involve greater risks when compared to other strategies due to a variety of factors. Expected changes may not occur, or transactions can take longer than originally anticipated, resulting in lower returns than contemplated at the time of investment. Additionally, failure to anticipate changes in the circumstances affecting these types of investments can result in permanent loss of capital, where we may be unable to recoup some or all of its investment.

**U.S. Government Securities:** Obligations issued by some U.S. Government agencies, authorities, instrumentalities, or sponsored enterprises are backed by the full faith and credit of the U.S. Government, while obligations issued by others are not backed by the full faith and credit of the U.S. Government and are backed solely by the entity's own resources or by the ability of the entity to borrow from the U.S. Treasury. If one of these agencies' defaults on a loan, there is no guarantee that the U.S. Government will provide financial support.

**Variable Annuities:** Variable annuities are complex investments offered by insurance companies. Investment in a variable annuity contract is subject to general market risk and the insurance company's credit risk. These and other risks are described in the variable annuities' prospectuses. Variable annuities are regulated under both securities and insurance laws and the related rules and regulations. Variable annuities may offer benefits and features which may or may not have value to you depending on your circumstances, which your IAR may discuss with you. Similar to other investments, commissions are paid for the purchase of variable annuities and there may be surrender charges for early liquidation, which are clearly listed in the product's prospectus. You may find additional information about these commissions, surrender charges, and other expenses in the prospectus.

## Item 9 Disciplinary Information

Registered Investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to the evaluation of our firm or the integrity of our management.

We have no legal or disciplinary events that are material to your evaluation of our business or the integrity of our management. Information on disciplinary history and registration of Rhodes Investment Advisors and persons associated with Rhodes Investments Advisors may be obtained online at <https://adviserinfo.sec.gov> or <https://brokercheck.finra.org> or by contacting state regulatory authorities.

## Item 10 Other Financial Industry Activities and Affiliations

Our Firm is also an insurance agency whereby affiliated advisory agents may sell insurance products to you. Some Advisory Agents of our Firm are also licensed insurance agents for various other insurance companies. If you elect to implement the plan or buy insurance through us or our Advisory Agents, then the agents would receive a commission from the insurance sales, which includes life, accident, disability, and fixed annuities. This presents a conflict of interest because they will receive a commission for these services, which is separate from the portfolio management, financial planning and other services provided. We have no single agreement with any agency or company, but will seek out the products of any company, agency or brokerage that may have products fitting your needs. You are under no obligation to use this service. Sales of insurance products make up about 25% of our Firm's business.

Rhodes Securities, Inc., (Member FINRA/SIPC) broker/dealer, executes client securities transactions. Custody of client accounts for both securities and funds will be maintained at First Clearing Corp., the designated custodian and clearing firm for Rhodes Securities, Inc. Some of our Agents are registered representatives of Rhodes Securities, Inc. In this capacity, our agents may sell securities through Rhodes Securities, Inc. and receive normal and customary commissions as a result of such purchases and sales. This presents a conflict of interest to the extent that the advisory agent recommends that you invest in a security which results in a commission being paid to the advisory agent. Neither our Firm nor its advisory agents are affiliates of First Clearing Corp. Jim G. Rhodes, CEO, is the sole owner of the Advisor. Jim G. Rhodes is a 25% shareholder and J. Gordon Rhodes is a 50% shareholder of Rhodes Securities, Inc., the Broker/Dealer. Commission-based transactions make up about 65% of the combined business.

Jim G. Rhodes is the CEO, Chairman and 100% stockholder of Preferred Financial Services, Inc., an Oklahoma insurance company.

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

### **Code of Ethics:**

We have adopted a Code of Ethics Policy to prohibit conflicts of interest from personal trading by our advisory personnel and have established standards of conduct expected of our advisory personnel. We have set forth in the Code of Ethics Policy statements of general principles, required course of conduct, reporting obligations, and review and enforcement of the Code of Ethics Policy. We will provide a copy of the Code of Ethics Policy to our clients or prospective client's upon written request.

### **Participation or Interest in Client Transactions / Personal Trading:**

Our Advisory Agents will buy or sell for themselves securities that they also recommend to you. These investment products will be bought and sold on the same basis as you buy them. We will transact your transactions and business before their own when similar securities are being bought or sold. In all instances, the positions would be so small as to have no impact on the pricing or performance of the security. We will do everything possible to mitigate these conflicts. Records of all advisory associate's proprietary trading activities are reviewed and kept by us. We and our advisory agents will act in a fiduciary manner, understand the prohibitions against the use of any insider information and will always act in your best interest.

## Item 12 Brokerage Practices

### **Brokerage Selection:**

Our firm may be granted discretionary authority over your account(s) to determine the securities to be bought or sold, their amounts, the broker to be used, and the commission rates without specific consultation with you as deemed to be in your best interest and to achieve your stated investment objectives.

We generally select the brokers or dealers to handle securities transactions. We utilize TD Ameritrade or Rhodes Securities, Inc., members FINRA/SIPC, as the broker-dealers for the execution of securities transactions. Custody of your accounts for both securities and funds will be maintained at First Clearing Corp. the designated custodian and clearing firm for Rhodes Securities, Inc., or TD Ameritrade.

Factors which we consider when recommending broker/dealers include their respective financial strength, reputation, execution, pricing, research, and service. We understand and acknowledge that at all times we owe a fiduciary duty to you to obtain best execution for your transactions. We believe that our relationship with Rhodes Securities, Inc. and TD Ameritrade helps us to execute securities transactions for you in such a manner that your total cost in each transaction is as favorable as possible under prevailing market conditions. However, accounts with Rhodes Securities, Inc., and TD Ameritrade, full-service broker/dealers, may not obtain best execution at all times. The commissions and/or transactional fees charged by Rhodes Securities, Inc., and TD Ameritrade to you may be higher or lower than those charged by another broker-dealer.

We and our advisory agents are affiliates of Rhodes Securities, Inc. TD Ameritrade is an independent and unaffiliated SEC-registered broker-dealer. Our Advisory Agents will take steps to assure that you receive best execution and a reasonable commission rates when trades are executed.

### **Brokerage for Client Referrals:**

Neither our Firm nor our Advisory Agents receive client referrals from a broker dealer or other third party when recommending to you a broker-dealer for the execution of securities transactions.

### **Directed Brokerage:**

If you want to direct us to use a particular broker dealer to handle security transactions, then you are responsible for the custodian fee arrangement. You should understand that this might prevent our Firm from effectively negotiating brokerage compensation or obtaining the most favorable net price and execution. When directing brokerage business, you should consider whether the commission expenses, execution, clearance and settlement capabilities that you will obtain through another broker dealer are adequately favorable in comparison to those that our Firm would otherwise obtain for you using Rhodes Securities, Inc. You may also elect a custodian (bank or broker) from a range of choices that we have. We encourage you to discuss available alternatives with our advisory agents.

Neither our Firm nor our advisory agents receive any products, research, or services other than those disclosed.

### **Trade Aggregation:**

We provide investment management services to various clients. We may, in our sole discretion, aggregate purchases or sales of any security, instrument or obligation effected for various client accounts with purchases or sales, as the case may be, of the same security, instrument or obligation effected on the same day for the accounts of one or more of our other clients. Although such concurrent aggregations potentially could be either advantageous or disadvantageous to any one or more particular accounts, they will be effected only when we believe that to do so will be in the best interest of the affected accounts. When transactions are so aggregated, (a) the actual prices applicable to the aggregated transaction will be averaged, and each client account participating in the aggregated transaction will be deemed to have purchased or sold its share of the security, instrument or obligation involved at that average price and (b) all transaction costs incurred in effecting the aggregated transaction, except to the extent that certain

broker-dealers that also furnish custody services may impose minimum transaction charges applicable to some of the participating accounts. When such concurrent aggregation occurs, the objective will be to allocate executions in a manner that is deemed equitable to the accounts involved.

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

Account reviews will be provided no less than quarterly or by your request. Reviews may be warranted more frequently due to tax law changes, market changes, market conditions or changes in personal circumstances. Reviews initiated by you may be for personal objectives or for any reason you so desire.

The reviews will be conducted by the advisory agent who has the relationship with you and will be consistent with your desire respecting frequency and changing circumstances or objectives.

Statements, confirmations, and performance reports are furnished from various financial services institutions or firms with which you transact business. These firms may include, and are not limited to, brokerages, investment companies, insurance companies, trust companies, other registered investment advisors, banks, and credit unions. You will receive from us quarterly performance reports that summarize your account and asset allocation. At the start of each calendar quarter, you will receive a fee deduction calculation statement for that quarter based on the previous quarter end market value.

If we provide you financial planning or consulting services, you will not receive regular reports on your accounts after the financial planning or consulting services have been concluded.

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

#### **Client Referrals:**

We do not have any arrangements to compensate another for client referrals.

#### **Other Compensation:**

Our Firm and/or our Advisory Agents may receive some economic benefit (including non-research services, professional seminars, and conferences) from a non-client in connection with giving advice to you.

Additionally, for those that elect to purchase insurance products through our Firm, our advisory agents holding insurance licenses will receive normal commissions.

We try at all times to put your interest first as part of our fiduciary duty. However, you should be aware that the receipt of additional compensation creates a potential conflict of interest and may affect judgment when making these recommendations.

### **Item 15 Custody**

Your funds and securities will be maintained with a “qualified custodian” as required under Rule 206(4)-2 under the Advisers Act and we will not take physical possession of any funds or securities. Custody of your accounts for both securities and funds will be maintained at First Clearing Corp., TD Ameritrade or another qualified designated custodian as directed by you.

We are deemed to have custody of the funds and securities as a consequence of its authority to make withdrawals from your account to pay our advisory fee. However, a surprise examination is not required because we have written authorization from each client to deduct advisory fees from the account held with the qualified custodian and each time a fee is directly deducted from a client account, (i) we

concurrently: send the qualified custodian an invoice or statement of the amount of the fee to be deducted from your account; and (ii) the custodian sends you a statement itemizing the fee.

### **Statements**

You should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains your investment assets. We urge you to carefully review such statements and compare such official custodial records to the account statements that we or your money manager may provide to you, if any. Our statements vary from custodial statements based on accounting procedures and reporting formats.

## **Item 16 Investment Discretion**

Unless otherwise negotiated, you may have granted our Firm sole and absolute discretion in the management of your portfolio and periodic re-balancing to the asset class target percentages as outlined in the Clients Advisory Agreement except with respect to payment of the Firm's Fees. In the exercise of its authority, we are fully authorized and empowered to place orders to brokers, dealers, mutual funds, or other persons with respect to the purchase, sale, exchange, disposition, or liquidation of any assets held in your portfolio.

We have limited authority to sell or redeem securities holdings in sufficient amounts to pay Advisory Fees. You may reimburse the portfolio for Advisory Fees paid to us.

## **Item 17 Voting Client Securities**

We do not have any authority to and do not vote proxies on behalf of advisory clients. Client's retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. To this end, we have instructed the Custodian to forward all proxy material directly to you. We shall forward any proxy materials we receive that pertain to the Assets in client accounts to the respective clients to you, or to the Advisor(s) for an employee benefit plan covered by ERISA, unless the plan's trust agreement provides otherwise. You can contact our office at 817-334-0455 for any questions about a particular solicitation.

## **Item 18 Financial Information**

We do not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. We do not have any financial condition that is reasonably likely to impair the ability to meet contractual commitments to you and has not been the subject of a bankruptcy proceeding.

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

N/A