

# The Firm Brochure

Part 2A of Form ADV \ \ March 16, 2021

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This Brochure provides information about the qualifications and business practices of Bragg Financial Advisors, Inc. If you have any questions about the contents of this Brochure, please contact us at (704) 377-0261 or [dawn@braggfinancial.com](mailto:dawn@braggfinancial.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 Bragg Financial Advisors, Inc., is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 108780.

# The Firm Brochure

Form ADV Part 2A \ March 16, 2021

BRAGG  
— FINANCIAL —

## Item 2: Material Changes

There has been a material change to this document from the previous filing date of September 2, 2020. On November 1, 2020, First Pacific Advisors, LP (FPA) became the investment advisor to the Queens Road Funds. Bragg Financial Advisors, the former advisor to the Funds, transitioned to serve as the sub-advisor. The Funds were renamed to the FPA Queens Road Value Fund and the FPA Queens Road Small Cap Value Fund. Please see Item 4 and Item 10 for more details.

Consistent with SEC regulations, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business's fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

## Item 3: Table of Contents

Item 1: Cover Page . . . . .	.1
Item 2: Material Changes . . . . .	2
Item 3: Table of Contents . . . . .	2
Item 4: Advisory Business . . . . .	3
Item 5: Fees and Compensation. . . . .	7
Item 6: Performance-Based Fees and Side-By-Side Management. . . . .	9
Item 7: Types of Clients. . . . .	9
Item 8: Methods of Analysis, Investment Strategies and Risk of Loss . . . . .	9
Item 9: Disciplinary Information . . . . .	10
Item 10: Conflicts of Interest . . . . .	10
Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading . . . . .	12
Item 12: Brokerage Practices. . . . .	14
Item 13: Review of Accounts . . . . .	14
Item 14: Client Referrals and Other Compensation . . . . .	15
Item 15: Custody. . . . .	15
Item 16: Investment Discretion. . . . .	15
Item 17: Voting Client Securities . . . . .	16
Item 18: Financial Information . . . . .	16

## Item 4: Advisory Business

Bragg Financial Advisors, Inc.

**Bragg Financial Advisors, Inc. (Bragg) is an investment advisor registered with the Securities and Exchange Commission (SEC).**

Our principal place of business is Charlotte, North Carolina. Bragg Financial Advisors, Inc., began conducting business as a registered investment advisor in the state of North Carolina in 1997. We registered with the Securities and Exchange Commission in 2000.

Bragg Financial Advisors provides advisory services to individuals, investment companies including mutual funds, pension and profit-sharing plans and charitable organizations.

As of 12/31/2020, we were actively managing client assets of \$ 2,272,123,381 on a discretionary basis.

### Our People and Our History

Bragg Financial Advisors is a family-owned business. Our firm traces its roots back to 1964 when our founder, J. Frank Bragg, Jr., first entered the financial services industry in Charlotte. Information about the firm's founder and shareholders who are active in the management of the company is listed below.

#### **J. Frank Bragg, Jr., Founder of Bragg Financial Advisors, Inc., Chairman Emeritus**

Frank grew up in Oxford, North Carolina, and graduated from Wake Forest University in 1961 with a BA in English. Frank began his career in financial services with Security Life and Trust Company in Winston-Salem. In 1964, he moved his family to Charlotte and formed his own firm specializing in employee benefit plans. Over time, the firm evolved into a more comprehensive benefits and investment organization offering financial planning and portfolio management for individuals. The second generation of firm leadership, including Frank Bragg's three sons and son-in-law, joined the firm in the 1990s as the company evolved into a comprehensive wealth management firm.

#### **Benton S. Bragg, President, CEO and Principal Shareholder – Shareholder**

Benton graduated from Wake Forest University in 1990 with a BA in History and a minor in English. He received his MBA from Wake Forest University in 1997. Benton holds the Chartered Financial Analyst and Certified Financial Planner designations. Benton chairs the Investment

Committee at Bragg and works closely with individual and institutional clients of the firm. You can read more about Benton by reading the brochure supplement to this document.

#### **Phillips M. Bragg, Vice President and Principal Shareholder – Shareholder**

Phillips graduated from Wake Forest University in 1993 with a BA in English. Phillips holds the Certified Financial Planner and Accredited Estate Planner designations. Phillips provides expertise in retirement cash flow planning, estate and gift planning. He also advises clients regarding donor advised funds, charitable trusts, private foundations and conservation easement planning. You can read more about Phillips by reading the brochure supplement to this document.

#### **John F. Bragg III, Vice President and Principal Shareholder – Shareholder**

John graduated from Wake Forest University in 1988 with a BA in Communications. John holds the Certified Financial Planner designation. John works with individual and institutional clients of the firm. You can read more about John by reading the brochure supplement to this document.

#### **Steve H. Scruggs, Senior Portfolio Manager, Director of Research – Shareholder**

Steve graduated from North Carolina State University in 1992 with a BA in Business Management. He received his MBA from Wake Forest University in 1996. Steve holds the Chartered Financial Analyst designation. Steve is our Director of Research, a member of the Investment Committee and the portfolio manager for the FPA Queens Road Small Cap Value Fund and the FPA Queens Road Value Fund. You can read more about Steve by reading the brochure supplement to this document.

We offer the following advisory services to our clients:

#### **INDIVIDUAL PORTFOLIO MANAGEMENT – MANAGED ACCOUNT PROGRAM**

**Portfolio Management Guided by Written Investment Policy Statement:** Our firm provides portfolio management of client investment accounts based on the individual needs of the client. After engaging with the client in extensive discussions about the client's personal financial circumstances, investment goals and long-term financial objectives, we and the client develop the client's written Investment Policy Statement. The principal objective in developing a written investment plan is to enable you

and us to protect your portfolio from ad hoc revisions to a sound, long-term plan. The written plan will help you maintain discipline when short-term market movements may be distressing, and the plan may be questioned. The development of an investment plan follows the basic approach underlying financial planning: assessing your financial condition, setting goals, developing a strategy to meet these goals, implementing the strategy, regularly reviewing the results and adjusting the strategy or the implementation as circumstances dictate. Utilizing an investment policy statement encourages you to become more disciplined and systematic in your approach, thus increasing the probability of reaching your investment goals.

**Portfolio Construction and Management Process:** The portfolio construction and management process to be used by Bragg Financial Advisors emphasizes diversification and strategic allocation among different asset classes. Empirical evidence and academic research suggest that with regards to portfolio performance, the impact of strategic allocation among various asset classes will far outweigh the impact of security selection, market timing, or other decisions that affect performance. The process used by Bragg emphasizes the risk-adjusted performance of the entire portfolio; it does not emphasize the performance of the individual securities within the portfolio. Our process will not employ methods such as frequent trading, market sector rotating or market timing.

**Portfolio Securities:** Bragg constructs portfolios using securities including but not limited to stocks, bonds, mutual funds, real estate investment trusts, exchange traded funds, CDs, unit investment trusts, money market instruments and other cash equivalents. Asset class exposure will include but not be limited to Large Cap Equity, Mid Cap Equity, Small Cap Equity, Foreign Equity, Real Estate, Cash Equivalents and Fixed Income Securities. Bragg periodically rebalances portfolios to maintain the desired blend of exposure to specific asset classes and security types. The investment vehicles we use to construct portfolios are not limited to any specific product or service offered by a specific broker/dealer or other financial institution.

**Portfolio Models:** Client accounts are normally assigned to a Portfolio Model as follows:

***Portfolio One: Aggressive Allocation with Emphasis on Capital Appreciation.*** Equity Portion of the portfolio to normally range between 80% and 100%. Fixed Income Portion to normally range between 0% and 20%.

***Portfolio Two: Aggressive Allocation with Emphasis on Capital Appreciation.*** Equity Portion of the portfolio to normally range between 70% and 90%. Fixed Income Portion to normally range between 10% and 30%.

***Portfolio Three: Moderately Aggressive Allocation with Primary Emphasis on Capital Appreciation and Secondary Emphasis on Income.*** Equity Portion of the portfolio to normally range between 60% and 80%. Fixed Income Portion to normally range between 20% and 40%.

***Portfolio Four: Moderate Allocation with Emphasis on Capital Appreciation and Income.*** Equity Portion of the portfolio to normally range between 50% and 70%. Fixed Income Portion to normally range between 30% and 50%.

***Portfolio Five: Moderately Conservative Allocation with Emphasis on Capital Appreciation, Capital Preservation and Income.*** Equity Portion of the portfolio to normally range between 40% and 60%. Fixed Income Portion to normally range between 40% and 60%.

***Portfolio Six: Moderately Conservative Allocation with Emphasis on Capital Preservation, Income and Moderate Capital Appreciation.*** Equity Portion of the portfolio to normally range between 30% and 50%. Fixed Income Portion to normally range between 50% and 70%.

***Portfolio Seven: Conservative Allocation with Emphasis on Capital Preservation and Income; Capital Appreciation is Secondary.*** Equity Portion of the portfolio to normally range between 20% and 40%. Fixed Income Portion to normally range between 60% and 80%.

**Discretionary Management:** In almost all cases, our firm manages portfolios on a discretionary basis per the written Investment Policy Statement. This means Bragg will not contact the client prior to conducting buy or sell transactions in client accounts. Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors and these are outlined in the Investment Policy Statement. In some cases, portfolios are managed on a non-discretionary basis.

**Advisory Fees:** Bragg charges Advisory Fees for the Managed Account Program described above. In addition to the Advisory Fees charged by Bragg, there are other costs associated with our Managed Account Program. Please review the "Fees and Compensation" section (Item 5) of this document for specific details regarding fees and charges.

## PORTFOLIO MANAGEMENT – SMALL CAP VALUE MANAGED ACCOUNT PROGRAM

Bragg Financial Advisors offers portfolio management to individual and institutional clients who desire a specific portfolio constructed primarily of the common stocks of small companies. The Small Cap Value Managed Account Program focuses on companies that have a market capitalization generally less than the largest company in the Russell 2000 Index.

**Discretionary Management and Investment Policy Statement:** Bragg manages these accounts on discretion per a written Investment Policy Statement that is developed with input from the client.

**Advisory Fees:** Bragg charges Advisory Fees for the Small Cap Value Managed Account Program described above. In addition to the Advisory Fees charged by Bragg, there may be other costs associated with our Small Cap Value Managed Account Program. Please review the “Fees and Compensation” section (Item 5) of this document for specific details regarding fees and charges.

## FINANCIAL PLANNING

Financial planning is a collaborative process that helps maximize a client’s potential for meeting life goals through financial advice that integrates relevant elements of the client’s personal and financial circumstances. As portions of our financial planning recommendations may involve tax, insurance, borrowing or legal planning considerations, we strongly recommend that clients coordinate with other advisors such as accountants, insurance professionals, lenders, or attorneys before implementing planning recommendations. We do not provide legal or tax advice. Any legal or tax issues discussed with clients should also be discussed with legal or tax counsel.

**In general, we may provide Financial Planning in the following areas:**

**Retirement Planning:** We may project annual required savings necessary to accumulate adequate assets to fund a desired stream of income in retirement. We may suggest appropriate investment vehicles for clients to consider using for retirement accumulation. In all cases we will make assumptions regarding future investment returns, savings rates, inflation and longevity. There is no guarantee that our assumptions regarding the future will prove to be accurate.

**Education Planning:** We may project annual required savings necessary to accumulate adequate assets to

fund education expenses. We may suggest appropriate investment vehicles for clients to consider using for the accumulation of education funds.

**Investments:** We will assist you with developing and implementing an asset management strategy. Through personal discussions in which goals and objectives based on a client’s particular circumstances are established, we develop a client’s written Investment Policy Statement (IPS). We may also analyze investment alternatives such as exchange listed securities (stocks, bonds, exchange traded funds), warrants, corporate debt securities, certificates of deposit, municipal securities, variable life insurance, variable annuities, mutual fund shares, United States government securities and option contracts on securities and their effect on the client’s portfolio.

**Insurance:** We may review existing policies to ensure proper coverage for life, health, disability, long-term care, liability, home and automobile. We may make specific recommendations regarding the amount and structure of any coverage currently in place or recommended by our firm.

**Estate Planning:** Working with other professionals such as accountants and attorneys, we may assist the client in assessing and understanding the financial aspects of long-term estate planning strategies.

**Other Planning Issues:** We may also provide planning in other areas including but not limited to debt structuring, cash flow planning, lease/buy decisions, conservation easement planning and charitable planning.

During the financial planning process, we will (1) obtain and analyze qualitative and quantitative information from the client; (2) discuss with the client our professional assessment of the client’s financial and personal circumstances and help the client identify goals, noting the effect that selecting a particular goal may have on other goals; (3) analyze the client’s current course of action and potential alternative course of action. We will discuss the material advantages and disadvantages of the current course and whether the current course maximizes the potential for meeting the client’s goals. We will consider and analyze one or more potential alternative courses of action, including the material advantages and disadvantages of each alternative, whether each alternative helps to maximize the potential for meeting the client’s goals and how each alternative integrates the relevant elements of the client’s personal and financial circumstances.

From the potential courses of actions, we will select one or more recommendations designed to maximize the potential for meeting the client's goals. For each recommendation we will consider (1) the assumptions and estimates used to develop the recommendation; (2) the basis for making the recommendation, including how the recommendation is designed to maximize the potential to meet the client's goals, the anticipated material effects of the recommendation on the client's financial and personal circumstances, and how the recommendation integrates relevant elements of the client's personal and financial circumstances; (3) the timing and priority of the recommendation; (4) whether the recommendation is independent or must be implemented with another recommendation.

We will present the client with the selected recommendation(s) and the information that was required to be considered when developing the recommendation(s).

We will help the client implement the plan by: (1) communicating to the client the recommendation(s) being implemented and the responsibilities of your advisor, the client and any third party implementing the plan; (2) identifying, analyzing and select actions, products and services to implement the recommendation; (3) discuss with the client the basis for selecting an action, product, or service, the timing and priority of implementing the action, product, or service, and disclose and manage any material conflicts of Interest concerning the action, product, or service; (4) discuss with the client any client selection that deviates from the actions, products, and services that were recommended.

We will discuss with the client whether we have monitoring and updating responsibilities. If we do have monitoring and updating responsibilities then we will (1) determine how and when we will monitor the recommended actions, products and services; (2) discuss the client's responsibility to inform us of any material changes to the client's qualitative and quantitative information; (3) determine the time frame for updating the financial planning recommendations; (4) monitor the client's progress at achieving their stated goals and make recommendations by collaborating with the client to obtain updated qualitative and quantitative information.

## MUTUAL FUND PORTFOLIO MANAGEMENT

Our firm provides portfolio management services to investment companies including mutual funds.

Bragg Financial Advisors launched and served as advisor to two no-load mutual funds, the Queens Road Funds, in 2002. In 2020, Bragg Financial Advisors entered into a

strategic partnership with First Pacific Advisors, LP (FPA), resulting in FPA becoming the advisor to the mutual funds and in the renaming of the funds to the FPA Queens Road Small Cap Value fund and the FPA Queens Road Value fund. Bragg Financial now serves as sub-advisor to the Funds and continues to manage the Funds' portfolios. In their new role as advisor to the Funds, FPA provides administration, marketing, and distribution services. Steve Scruggs, CFA, a principal at Bragg Financial, has served as portfolio manager for the Funds since their inception in 2002 and continues in that role under the new partnership.

Interested investors should refer to the Mutual Funds' Prospectus and Statement of Additional Information (SAI) for important information regarding objectives, investments, time-horizon, risks, fees, and additional disclosures. These documents are available online at [www.fpa.com](http://www.fpa.com).

Prior to making any investment in the funds, investors and prospective investors should carefully review these documents for a comprehensive understanding of the terms and conditions applicable for investment in the Mutual Funds.

## PENSION CONSULTING SERVICES

Bragg Financial Advisors offers specific services to trustees or plan sponsors of pension plans, profit sharing plans, 401(k)/403(b) plans and other types of employer sponsored retirement plans. We refer to these services as Pension Consulting Services. Pension Consulting Services are comprised of four distinct services. Clients may choose to use any, or all, of these services.

**Investment Policy Statement Preparation (hereinafter referred to as "IPS"):** We will meet with the client to determine an appropriate investment strategy that reflects the plan sponsor's stated investment objectives for the assets of the retirement plan. Working with the client, we will prepare a written IPS outlining the investment objectives and the specific portfolio or investment options to be utilized by the client. The IPS will list the criteria for selection of investment vehicles as well as the procedures, process and timing interval for monitoring investment performance.

**Selection of Investment Vehicles:** Using the client's written Investment Policy Statement as a guide, we will conduct research and due diligence on various investment options under consideration for inclusion as participant choices in a specific retirement plan. We will then make specific recommendations to plan sponsors regarding which investment options to include in the plan. In many cases we will advise plan sponsors throughout the process of

constructing a menu of mutual funds or exchange traded funds that is made available to participants in self-directed retirement plans.

**Monitoring of Investment Performance:** We monitor client investments based on the procedures, process and timing intervals delineated in the Investment Policy Statement. Although our firm is not involved in the purchase or sale (trading) of these investments, we provide due diligence on the current offerings in the plan and make recommendations as to whether those options should be changed.

**Employee Communications:** For pension, profit sharing and 401(k)/403(b) plan clients with individual plan participants exercising control over assets in their own account (“self-directed plans”), we may provide periodic educational support and investment workshops designed for the plan participants. The nature of the topics to be covered will be determined by us and the client under the guidelines established in ERISA Section 404(c). The educational support and investment workshops will NOT provide plan participants with individualized, tailored investment advice or individualized, tailored asset allocation recommendations.

## Amount of Managed Assets

As of 12/31/2020, we were actively managing client assets of \$ 2,272,123,381 on a discretionary basis.

## Item 5: Fees and Compensation

### Portfolio Management Advisory Fees

The annualized fee for Portfolio Management Services will be charged as a percentage of assets under management, according to the following schedule:

#### Managed Account Program

Assets Under Management	Annual Fee
First \$1 Million	.95%
Next \$2 Million	.70%
Next \$3 Million	.50%
Over \$6 Million	.40%

#### Small Cap Value Managed Account Program

Assets Under Management	Annual Fee
First \$5 Million	.95%
Next \$5 Million	.85%
Over \$10 Million	.75%

The Managed Account Program is a fee-based program in which clients retain Bragg Financial Advisors to manage a specific account or group of accounts owned by the client. This program is described in detail in the “Advisory Business” section (Item 4) of this document.

The Small Cap Value Managed Account Program is a discretionary small cap value equity asset management program. This program is described in detail in the “Advisory Business” section (Item 4) of this document.

#### Illustration of Advisory Fee Calculation:

$$\begin{array}{ccccc} \text{Total} & & \text{Total Asset} & & \text{Annual Fee} \\ \text{Quarterly} & = & \text{Value in} & \times & \text{Percentage} \\ \text{Fee} & & \text{Account} & & 4 \end{array}$$

The advisory fee is payable quarterly in advance. The first payment is due and will be assessed within ten days following the end of the quarter following execution of the Discretionary Managed Account Agreement and will be assessed pro rata in the event this Agreement is executed at any time other than the first day of the calendar quarter. Subsequent payments will be assessed quarterly based on the value of the Account assets as of the close of business on the last business day of the preceding quarter as valued in good faith by a reliable pricing service. If assets are deposited (withdrawn) after the inception of a quarter, the fee chargeable (refundable) with respect to such assets as of the next calculation date will be prorated based on the number of days during the quarter the assets were held in the Account. There will be no fee adjustments for Deposits/ Withdrawals resulting in fee modifications of less than \$50.00. For valuation purposes the assets will be treated as if they were held in the Account as of the end of the quarter. Any subsequent modification to the Discretionary Managed Account Agreement agreed to in writing by client and Advisor will become effective on the first day of the quarter following the signing of the Agreement.

The quarterly investment advisory fee will be calculated as one fourth (1/4) of the annual fee as stated in the Discretionary Managed Account Agreement. Client will receive a billing statement showing the applicable billing rate, the value of assets in the account at the time the fee was calculated, and the amount of the fee as well as any pro rata adjustments for additions or withdrawals from the account for the previous quarter.

The Discretionary Managed Account Agreement will continue in effect until terminated by either party. Either party may terminate the Agreement at any time by giving thirty (30) days signed written notice to the other party.

In the event that either party terminates the Discretionary Managed Account Agreement, any fees will be prorated to the date of termination and client will be refunded any unearned portion of those fees. Termination of the Agreement will not affect the validity of any action previously taken by Bragg, any liabilities or obligations of the parties for transactions initiated before termination; or the client's obligation to pay and Bragg's right to retain fees for services rendered under the Agreement.

If a party terminates the Discretionary Managed Account Agreement, Advisor is not obligated to recommend or take any action with regard to the securities, cash or other investments in client's account or liquidate any assets in client's account after the termination date. It shall be client's exclusive responsibility to provide written instructions to Bragg regarding any assets in the account following termination.

A minimum of \$3,000,000 of assets under management is required for the Managed Account Program and a minimum of \$1,000,000 of assets is required for the Small Cap Value Managed Account Program. The minimum account size may be negotiable under certain circumstances. Bragg may group related client accounts for the purpose of determining the annualized fee.

**Limited Negotiability of Advisory Fees:** Although Bragg has established the aforementioned fee schedule(s), we retain the discretion to negotiate alternative fees on a client-by-client basis. Client facts, circumstances and needs will be considered in determining the fee schedule. These include the complexity of the client's financial position, the amount of assets to be placed under management, anticipated future deposits or withdrawals, related accounts managed by Advisor, portfolio style, account composition, reporting requirements and other factors. The specific annual fee schedule will be identified in the contract between the Advisor and each client. Advisory Fee rates may differ from the schedule listed here and among clients for various reasons including but not limited to the circumstances listed above.

Discounts, not generally available to our advisory clients, may be offered to family members and friends of associated persons of our firm.

**Grandfathering of Fees:** The fee scheduled listed above will generally be applicable for all new clients contracting for advisory services with Bragg. This schedule may differ from the fee schedule in place for some existing clients and there is no requirement that existing clients contract for services at the rates listed above.

**Waivers of Advisory Fees for Certain Assets Invested in the Managed Account Program:** Any portion of a client account that is invested in shares of the FPA Queens Road Funds will be excluded from our Quarterly Advisory Fee calculation described above. As disclosed in the "Advisory Business" section (Item 4) of this document, Bragg Financial Advisors serves as a sub-advisor to the FPA Queens Road Funds and is compensated by the FPA Queens Road Funds for these services. Therefore, participants in our Managed Account Program who own shares of the FPA Queens Road Funds within the Managed Account Program will pay only those fees charged to investors by the Mutual Funds directly for that portion of the account. Effective September 1, 2018, shares of the Funds will not be purchased in accounts managed by Advisor in the Managed Account Program described in this agreement. However, clients who participated in the Managed Account Program prior to September 1, 2018, may own existing shares of the Funds within accounts managed by Advisor in the Managed Account Program.

## Advisory Fees Charged to Investment Companies Including Mutual Funds

Bragg Financial Advisors charges an asset-based advisory fee for management of the FPA Queens Road Small Cap Value Fund and the FPA Queens Road Value Fund. The fee arrangement is described in the Mutual Fund's Prospectus and Statement of Additional Information (SAI).

## Pension Consulting Fees

Our fees for Pension Consulting Services are based on a percentage of assets under advisement. The annual fee varies depending upon the size of the plan under management.

Plan sponsors are invoiced in advance at the beginning of each calendar quarter.

A total minimum annual fee of \$5,000 is required.

## Other Investment Costs and Important Disclosures

**Fees Charged by Mutual Funds and Other Investment Vehicles:** All fees paid to Bragg Financial Advisors for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds, exchange traded funds or other investment vehicles that may be purchased or held in account of client in the Managed Account Program. These fees and expenses are described by the prospectus that is specific to the investment vehicle

being purchased. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. Accordingly, the client should review both the fees charged by the funds and our advisory fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

**Additional Fees and Expenses:** In addition to our advisory fees, clients are responsible for the fees and expenses charged by their broker/dealer or custody firm, including, but not limited to, any transaction charges imposed by the broker/dealer when Advisor effects transactions for the client's account(s). An example of this would be a transaction fee charged when a trade is made in a client account.

**IF APPLICABLE – Grandfathering of Minimum Account Requirements:** The minimum account size required to become a client of Advisor has increased over time. In certain cases, existing clients of Advisor may not meet current minimum account size requirements but will remain clients due to grandfathering.

**Advisory Fees in General:** Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisors for similar or lower fees.

**Limited Prepayment of Fees:** Under no circumstances do we require or solicit payment of fees in excess of \$1,200 more than six months in advance of services rendered.

**Best Execution:** Bragg Financial Advisors performs best execution testing for securities transactions monthly. The testing is designed to ensure that Bragg Financial Advisors has a reasonable basis to believe that clients are receiving the best execution on their securities transactions. If you have any questions regarding best execution testing please call (704) 377-0261 and ask for the Chief Compliance Officer.

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

Bragg does not charge performance-based fees.

## Item 7: Types of Clients

Bragg provides advisory services to the following types of clients:

- Individuals (other than high net worth individuals)
- High net worth individuals
- Investment companies (including mutual funds)

- Pension and profit-sharing plans (other than plan participants)
- Charitable organizations
- Institutions

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

We use the following methods of analysis in formulating our investment advice and/or managing client assets:

**Fundamental Analysis:** We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell).

Fundamental analysis does not attempt to anticipate broad stock market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

**Risks for all forms of analysis:** Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly available sources of information about these securities are providing accurate and thorough and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

## Investment Strategies

Our Investment Portfolio utilized within the Managed Account Program is characterized by the following descriptions.

**Broad Diversification by Asset Class and Market Sector:** Emphasis is placed on broad exposure to asset classes such as Large Cap US Equities, Small Cap US Equities, Foreign Equities, Investment Grade Corporate Bonds, Government Bonds, etc. In addition, emphasis is placed on diversification by market sector or industry including, but not limited to, technology, healthcare, financial, consumer discretionary, utilities, consumer staples, real estate, basic materials, communications and energy. While shares of individual companies may be owned in the portfolio, it is recognized that the primary determinants of portfolio return are asset class weightings and market sector weightings.

**Long-term purchases:** We purchase securities with the idea of holding them in the client's account for a year or longer. Typically, we employ this strategy when we believe the securities to be currently undervalued, and/or we want exposure to a particular asset class or sector over time regardless of the current consensus outlook for the asset class or sector.

A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantage of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

**Margin transactions:** We may purchase stocks for your portfolio on margin (using borrowed funds) at your request. This allows you to purchase more stock than you would be able to with your available cash and allows us to purchase stock without selling other holdings. Investing on margin can expose an investor to greater levels of risk. Clients who wish to invest using margin must sign a margin agreement and a margin disclosure document before any security can be purchased on margin.

**Risk of loss:** Securities investments are not guaranteed, and you may lose money on your investments. We ask that you work with us to help us understand your tolerance for risk.

## Item 9: Disciplinary Information

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

Our firm and our management personnel have no reportable disciplinary events to disclose.

## Item 10: Conflicts of Interest

Identifying Bragg Financial Advisors, Inc.'s Material Conflicts of Interest has been and remains fundamental to our development of reasonable and prudent policies and procedures which are designed to prevent such conflicts from causing violations of Impartial Conduct Standards, among other considerations. A Material Conflict of Interest exists when a Financial Institution or Advisor has a financial interest that a reasonable person would conclude could affect the exercise of its best judgment in rendering advice to an Investor.

Financial Institutions are therefore required to mitigate the impact of any Material Conflicts of Interest, and to provide a description of such conflicts to an existing or prospective investor. Furthermore, Financial Institutions must designate a person or persons responsible for addressing such Material Conflicts of Interest and monitoring employee adherence to the Impartial Conduct Standards. Accordingly, Bragg Financial Advisors, Inc., has designated Dawn Cannon, Chief Compliance Officer, as the firm's Conflict Officer.

## Description of Compensation Arrangements and Conflicts of Interest

**Managed Account Program:** The primary investment management service offered by Bragg Financial Advisors, Inc., is the Managed Account Program. Clients choosing the Managed Account Program engage Bragg to manage an account on discretion per a written investment policy statement. Client and Bragg enter a contract for this service at an agreed upon Advisory Fee. Accounts managed within the Managed Account Program at Bragg typically own the following types of securities: publicly traded stocks, publicly traded bonds, no-load mutual funds, exchange traded funds, certificates of deposit, preferred stocks and other securities.

## WE HAVE THE FOLLOWING POTENTIAL MATERIAL CONFLICTS OF INTEREST RELATED TO THE MANAGED ACCOUNT PROGRAM:

**Proprietary Products within the Managed Account Program:** For these purposes, Proprietary Products are defined as products that are managed, issued or sponsored by a Financial Institution or any of its Affiliates. Bragg Financial Advisors (Advisor) serves as a Sub-Advisor to the FPA Queens Road Small Cap Value Fund and the FPA Queens Road Value Fund. The FPA Queens Road Funds (the Funds) are open-end, continuously offered, no-load mutual funds. Pursuant to a management contract between the Sub-Advisor and the Funds, the Sub-Advisor is paid a management fee from the assets of the Funds for investment management services provided by the Sub-Advisor. As such, the Funds are considered proprietary products. The cost of the management fee of the Funds is borne by investors in the Funds as described by the prospectus for the Funds. Effective September 1, 2018, shares of the Funds will not be purchased in accounts managed by Advisor in the Managed Account Program described in this document. However, clients who participated in the Managed Account Program prior to September 1, 2018, may own existing shares of the Funds within accounts managed by Advisor in the Managed Account Program. Client is under no obligation to invest in shares of the Funds.

Because Advisor is compensated directly by the FPA Queens Road Funds pursuant to its management contract, Advisor will waive the account Investment Advisory Fee that is charged to accounts in the Managed Account Program for any portion of the Managed Account Program account assets invested in the Funds. Notwithstanding the waiver of the Advisory Fee that is charged to accounts for any portion of the account invested in the Funds, Advisor has a conflict of interest in owning the Funds in accounts within the Managed Account Program.

**Management Fee for FPA Queens Road Value Fund per Prospectus dated September 28, 2020 as amended November 2, 2020:** **.95%**

**Management Fee for FPA Queens Road Small Cap Value Fund per Prospectus dated September 28, 2020 as amended November 2, 2020:** **.67%**

#### Managed Account Program Advisory Fee\*

Assets Under Management	Annual Fee
First \$1 Million	.95%
Next \$2 Million	.70%
Next \$3 Million	.50%
Over \$6 Million	.40%

\*This advisory fee waived for any portion of Managed Account Program assets invested in the FPA Queens Road Funds.

It should be noted here that while Advisor benefits incrementally by using the FPA Queens Road Funds in the client's account, the client also benefits from this arrangement due to the fact that Advisor waives the Managed Account Program Advisory Fee for any portion of the client account that is invested in the FPA Queens Road Funds. The alternative to this arrangement would involve Advisor utilizing a fund managed by a third party on behalf of the client. In this case the client would bear the cost of the underlying fund in addition to the cost of the Managed Account Program account advisory fee.

**Negotiability of Fees within the Managed Account Program:** Bragg Financial Advisors, Inc., retains the authority to negotiate fees within the Managed Account Program offered to clients based on a variety of factors, such as the size of a client's account, the agreed upon level of services to be provided, grandfathering of pre-existing fee arrangements, and preferential fee arrangements not

generally available to clients (e.g., fees reduced or waived for related persons, family and friends), among others. This negotiability of fees may represent a conflict of interest.

**Rollover Recommendations for the Managed Account Program:** A Retirement Investor or prospective Retirement Investor 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 Retirement Investor's age, result in adverse tax consequences). If a representative of Bragg recommends that a client or potential client roll over their retirement plan assets into an account to be managed by Bragg Financial Advisors, Inc., such recommendation potentially creates a material conflict of interest insofar as the firm will earn an advisory fee on the rolled-over assets. Bragg Financial Advisors, Inc., has adopted reasonable and prudent procedures to facilitate and document the consideration of the Retirement Investor's investment alternatives which requires an assessment of the existing plan and available options. As applicable, such assessment will evaluate the fees and expenses of each option, including whether the employer pays for some or all of the plan's administrative expenses, and the different levels of services and investments available under each option, among other considerations.

**Recommendations for the Managed Account Program:** A recommendation that a client or prospective client (i) roll money out of a retirement plan or any other type of account into a fee-based account such as the Managed Account Program that will generate ongoing fees for Bragg that would not otherwise be received, even if those fees do not vary with the assets recommended or invested, or (ii) switch from a commission-based account to an account that charges a fixed percentage of assets under management on an ongoing basis potentially creates a material conflict of interest. To mitigate such conflicts, Bragg Financial Advisors, Inc.'s policies and procedures require an assessment of whether a commission-based or fee-based account is more suitable for the particular client (e.g., a review of trading activity, requirements for ongoing monitoring and/or investment advice, among other considerations). Furthermore, in the event Bragg recommends that a client or prospective client rollover from another IRA to an IRA managed by Bragg or switch from a commission-based account to fee-based program such as the Managed Account Program, the specific fee must be disclosed to the client in advance. Bragg Financial Advisors, Inc., maintains required documentation reflecting

the reason(s) such arrangement is in the Best Interest of the client, and specifically details the services that will be provided for the stated fee.

**Other Conflicts related to the Managed Account Program:**

Representatives of third parties with whom we conduct business (such as custody/clearing firms, mutual funds, software vendors, consultants, accountants, etc.) on behalf of our clients may invite representatives of our firm to educational events, meetings, seminars or other events where meals, educational literature, promotional items, entertainment or other activities are provided at no cost to our representatives. This may create an incentive for Bragg and its representatives to use products/services offered by these firms and this may represent a material conflict of interest.

## Other Conflicts of Interest

### AFFILIATIONS

**Other Products:** Certain personnel of our firm, in their individual capacities, are licensed to sell insurance products offered by various insurance companies. As such, these individuals can receive separate yet customary commission compensation resulting from implementing product transactions on behalf of advisory clients. Clients, however, are not under any obligation to engage these individuals when considering implementation of advisory recommendations. The implementation of any or all recommendations is solely at the discretion of the client. These products will not be used within the Managed Account Program offered by Bragg.

### SUPERVISION

Pursuant to industry studies, financial services regulators have noted that a firm's failure to provide employee training or providing inadequate training to employees regarding the firm's Impartial Conduct Standards and the policies and procedures adopted to implement and ensure compliance with these standards creates an increased potential for violations.

Bragg Financial Advisors, Inc.'s policies and procedures when viewed as a whole, are reasonably and prudently designed to avoid a misalignment of the interests of our representatives with the interests of the clients they serve. Our firm's supervisory procedures include careful screening of potential hires including verification of industry qualification and employment history, and an assessment of past misconduct and disciplinary history, if any. Firm procedures include initial and ongoing training of employees based on the nature of their responsibilities, mandating periodic reporting and/or certification of their adherence to

the firm's policies and procedures, and conducting periodic monitoring and testing of our policies to prevent or detect any violations of them. Individuals found to have violated procedures will be subject to disciplinary action by our firm based on the nature of the infraction.

Clients should be aware that the existence of the conflicts of interest listed in this document may impair the objectivity of our firm and our representatives when making advisory recommendations. Bragg endeavors always to put the interest of its clients first as part of our duty as a registered investment advisor. We take the following steps to address these conflicts:

- we disclose to clients the existence of all material conflicts of interest, including the potential for our firm and our employees to earn compensation from advisory clients in addition to our firm's advisory fees;
- we disclose to clients that they are not obligated to purchase recommended investment products from our employees or affiliated companies;
- we collect, maintain and document accurate, complete and relevant client background information, including the client's financial goals, objectives and risk tolerance;
- our firm's management conducts regular reviews of each client account to verify that all recommendations made to a client are suitable to the client's needs and circumstances;
- we require that our employees seek prior approval of any outside employment activity so that we may ensure that any conflicts of interests in such activities are properly addressed;
- we periodically monitor these outside employment activities to verify that any conflicts of interest continue to be properly addressed by our firm; and
- we educate our employees regarding our responsibilities to our clients, including the need for having a reasonable and independent basis for the investment advice provided to clients.

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

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws.

Bragg and our personnel owe a duty of loyalty, fairness and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

Our Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's access persons. Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our code also provides for oversight, enforcement and record keeping provisions.

Bragg's Code of Ethics further includes the firm's policy prohibiting the use of material non-public information. While we do not believe that we have any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email sent to dawn@braggfinancial.com, or by calling us at (704) 377-0261.

Bragg or individuals associated with our firm will not buy securities for the firm or for themselves from our advisory clients, or sell securities owned by the firm or the individual(s) to our advisory clients. Bragg and individuals associated with our firm will not engage in agency cross transactions.

As previously disclosed in this Brochure, Bragg is the investment advisor to an affiliated mutual fund. Please refer to "Advisory Business" (Item 4) and "Fees and Compensation" (Item 5) for a detailed explanation of this relationship and important conflict of interest disclosure.

All access persons of our firm are required to report all personal securities transactions conducted in our affiliated mutual fund(s).

Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

Our firm and/or individuals associated with our firm may buy or sell for their personal accounts, securities identical to or different from those recommended to our clients. In addition,

any related person(s) may have an interest or position in certain securities which may also be recommended to a client.

It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, thereby preventing such employee(s) from benefiting from transactions placed on behalf of advisory accounts.

As these situations represent actual or potential conflicts of interest to our clients, we have established the following policies and procedures for implementing our firm's Code of Ethics, to ensure our firm complies with its regulatory obligations and provides our clients and potential clients with full and fair disclosure of such conflicts of interest:

1. No principal or employee of our firm may put his or her own interest above the interest of an advisory client.
2. No principal or employee of our firm may buy or sell securities for their personal portfolio(s) where their decision is a result of information received as a result of his or her employment unless the information is also available to the investing public.
3. It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account. This prevents such employees from benefiting from transactions placed on behalf of advisory accounts.
4. Our firm requires prior approval for any IPO or private placement investments by related persons of the firm.
5. We maintain a list of all reportable securities holdings for our firm and anyone associated with this advisory practice that has access to advisory recommendations ("access person"). These holdings are reviewed on a regular basis by our firm's Chief Compliance Officer or his/her designee.
6. We have established procedures for the maintenance of all required books and records.
7. All of our principals and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
8. We require delivery and acknowledgement of the Code of Ethics by each supervised person of our firm.
9. We have established policies requiring the reporting of Code of Ethics violations to our senior management.
10. Any individual who violates any of the above restrictions is subject to disciplinary action or termination.

## Item 12: Brokerage Practices

### Selecting Custodians

Bragg does not maintain custody of the assets that we manage or advise on behalf of our clients (for further information, see Item 15: Custody). Client assets must be maintained in an account at a “qualified custodian,” which is generally a broker, a bank or a trust company. We use Charles Schwab & Co. and Pershing, LLC to provide broker-dealer and custodial services for our clients. We are independently owned and operated and are not affiliated with Charles Schwab & Co. or Pershing, LLC.

In selecting recommended providers of broker-dealer and custodial services, we weigh such criteria as the provider’s experience, size, reputation, financial strength, past exhibited service levels, cost to our clients, breadth of available investment products and the ability to efficiently execute trades in client accounts. We periodically evaluate the providers with whom we work and compare them to other firms available in the marketplace using the aforementioned criteria to ensure that our recommended providers of broker-dealer and custodial services continue to serve the best interests of our clients.

Bragg requires that it be provided with the client’s written authorization to determine the provider of broker-dealer and custodial services to be used for client accounts.

Clients will open their account(s) with the broker-dealer/custodian by filling out the applicable paperwork that we prepare for their review and signature. Bragg Financial Advisors will not provide investment advisory services to clients who maintain accounts with broker-dealer/custodial firms with which we do not have an arrangement for conducting trading and management services.

### Trade Aggregation and Allocating Trades

The primary objective in placing trades for the purchase and sale of securities for client accounts is to obtain the most favorable net results taking into account such factors as 1) price, 2) size of order, 3) difficulty of execution, 4) confidentiality, and 5) skill required of the custodian. Bragg will execute transactions through the Custodian. At times, Bragg may aggregate orders in a block trade or trades when securities are purchased or sold through the custodian for multiple accounts in the same trading day. If a block trade cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day must be allocated in a manner

that is consistent with the initial pre-allocation or other written statement. This will be done in a way that does not consistently advantage or disadvantage any particular client account.

While Bragg may periodically use aggregated firmwide trading for client accounts, this is not the typical process employed due to a number of factors including client-specific objectives and/or constraints such as taxable gain tolerances, cash/liquidity requirements, outstanding/pending trade recommendations, position size limitations, and/or asset allocation considerations. Due to these factors, the majority of trading is completed at the account level as opposed to being completed on an aggregated firmwide basis.

### Soft Dollars

Soft dollars are revenue programs offered by a broker/dealer or custodian whereby an advisor enters into an agreement to place security trades with a broker/dealer or custodian in exchange for research and other services. Bragg does not participate in soft dollar programs sponsored or offered by any broker/dealer or custodian.

### Discretionary Authority

Bragg manages client accounts on discretion with few exceptions. If client desires to impose any limitation to Bragg’s discretionary authority, this limitation must be provided to Bragg in writing and agreed to by Bragg. Client may change/amend these limitations as desired and if agreed to by Bragg. Such amendments must be provided to us in writing.

## Item 13: Review of Accounts

### Individual Portfolio Management-Managed Account Program

**REVIEWS:** While the underlying securities within Individual Portfolio Management Services accounts are continually monitored, these accounts are reviewed periodically to adhere to the allocations as described in the investment policy statement. Accounts are reviewed in the context of each client’s stated investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables such as the client’s individual circumstances, or the market, political or economic environment.

These accounts are reviewed by Benton S. Bragg.

**REPORTS:** In addition to the monthly statements and confirmations of transactions that clients receive from their broker-dealer/custodian, we provide quarterly reports detailing account performance, balances, holdings, and fees to be charged.

## Financial Planning Services

**REVIEWS:** While reviews may occur at different stages depending on the nature and terms of the specific engagement, typically no formal reviews will be conducted for Financial Planning clients unless otherwise contracted for.

**REPORTS:** Additional reports will not typically be provided unless otherwise contracted for.

## Mutual Fund Portfolio Management

**REVIEWS:** Bragg continually reviews and monitors the Mutual Funds' holdings in accordance with the investment objectives as detailed in the Funds' Prospectus.

**REPORTS:** Clients should refer to the Funds' Prospectus for information regarding regular reports to the fund by Bragg.

## Pension Consulting Services

**REVIEWS:** Bragg will review the client's Investment Policy Statement (IPS) whenever the client advises us of a change in circumstances regarding the needs of the plan. Bragg will also review the investment options of the plan according to the agreed upon time intervals established in the IPS. Such reviews will generally occur quarterly.

**These accounts are reviewed by:** John F. Bragg III

**REPORTS:** These client accounts will receive reports as contracted for at the inception of the advisory relationship.

-OR-

**REPORTS:** Bragg will provide reports to Pension Consulting Services clients based on the terms set forth in the client's Investment Policy Statement (IPS).

## Item 14: Client Referrals and Other Compensation

It is Bragg's policy not to engage solicitors or to pay related or non-related persons for referring potential clients to our firm.

It is Bragg's policy not to accept or allow our related persons to accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services we provide to our clients.

## Item 15: Custody

We previously disclosed in the "Fees and Compensation" section (Item 5) of this Brochure that our firm directly debits advisory fees from client accounts.

As part of this billing process, the client's third-party custodian is advised of the amount of the fee to be deducted from that client's account. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions, including fees charged, within the account during the reporting period.

Bragg calculates client advisory fees using a portfolio management and billing system provided by a third-party software firm. Because the broker-dealer/custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the fee calculation. Clients should contact us directly if they believe that there may be an error in their statement or in the calculation of fees.

In addition to the periodic statements that clients receive directly from their broker-dealer/custodian, Bragg also produces and provides separate account statements directly to our clients on a quarterly basis. We urge our clients to carefully compare the statements provided directly by Bragg to the statements directly provided by the broker-dealer/custodian.

Our firm does not have actual or constructive custody of client accounts.

## Item 16: Investment Discretion

Clients may hire us to provide discretionary asset management services, in which case we place trades in a client's account without contacting the client prior to each trade to obtain the client's permission.

Our discretionary authority includes the ability to do the following without contacting the client:

1. Determine the security to buy or sell; and/or
2. Determine the amount of the security to buy or sell

Clients give us discretionary authority when they sign a Discretionary Managed Account Agreement with our firm and may limit this authority by giving us written instructions. Clients may also change/amend such limitations by once again providing us with written instructions.

## Item 17: Voting Client Securities

As a matter of firm policy, we do not vote proxies on behalf of clients. Therefore, although our firm may provide investment advisory services relative to client investment assets, 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. Clients are responsible to instruct each custodian to forward the client copies of all proxies and shareholder communications relating to the client's investment assets.

We do not offer any consulting assistance regarding proxy issues to clients.

We only vote proxies for the following types of accounts:

- Discretionary ERISA Accounts
- FPA Queens Road Mutual Funds

We will vote proxies in accordance with our established policies and procedures. Our firm will retain all proxy voting books and records for the requisite period of time, including a copy of each proxy statement received, a record of each vote cast, a copy of any document created by us that was

material to making a decision on how to vote proxies, and a copy of each written client request for information on how the advisor voted proxies. If our firm has a conflict of interest in voting a particular action, we will notify the client of the conflict and retain an independent third party to cast a vote.

Clients may obtain a copy of our complete proxy voting policies and procedures by contacting Dawn Cannon at (704) 377-0261.

We will neither advise nor act on behalf of the client in legal proceedings involving companies whose securities are held in the client's account(s), including, but not limited to, the filing of "Proofs of Claim" in class action settlements. If desired, clients may direct us to transmit copies of class action notices to the client or a third party. Upon such direction, we will make commercially reasonable efforts to forward such notices in a timely manner.

## Item 18: Financial Information

Bragg has no additional financial circumstances to report.

Under no circumstances do we require or solicit payment of fees in excess of \$1,200 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

Bragg has not been the subject of a bankruptcy petition at any time during the past ten years.