

## **McDermott Investment Advisors, LLC**

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**March 2, 2021**

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

This brochure provides information about the qualifications and business practices of McDermott Investment Advisors, LLC. If you have any questions about the contents of this brochure, please contact us at (866) 905-7375. 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 McDermott Investment Advisors, LLC, is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for McDermott Investment Advisors, LLC is 132221.

McDermott Investment Advisors, LLC is an investment adviser registered with the Securities and Exchange Commission (SEC). An "investment adviser" means any person who, for compensation, engages in the business of advising others, either directly or through publications or writings, as to the value of securities or as to the advisability of investing in, purchasing, or selling securities, or who, for compensation and as part of a regular business, issues or promulgates analyses or reports concerning securities. Registration with the SEC or any state securities authority does not imply a certain level of skill or training.

Material Changes - Item 2

On March 2, 2021, we submitted our annual updating amendment filing for fiscal year 2020. We have updated Item 4 of our Form ADV Part 2A Brochure to disclose discretionary assets under management of approximately \$172,742,188 and non-discretionary assets under management of approximately \$48,894,333.

We review and update our brochure at least annually to make sure that it remains current.

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

McDermott Investment Advisors, LLC is a registered investment adviser with its principal place of business in Fort Myers, Florida. Our firm is organized as a limited liability company domiciled in Florida. We have been providing investment advisory services since 2004. Dean McDermott, Ph.D. is our principal owner and began his career in the financial services industry in 1987. Currently, we offer the following investment advisory services, which are personalized to each individual client:

- Portfolio Management Services
- Financial Planning Services
- Selection of Other Advisers

As used in this brochure, the words “we,” “our” and “us” refer to McDermott Investment Advisors, LLC, and the words “you,” “your” and “client” refer to you as either a client or prospective client of our firm. Also, you may see the term Associated Person throughout this Brochure. As used in this Brochure, our Associated Persons are our firm’s officers, employees, and all individuals providing investment advice on behalf of our firm.

The following paragraphs describe our services and fees. Please refer to the description of each investment advisory service listed below for information on how we tailor our advisory services to your individual needs.

##### ***Portfolio Management Services***

We offer discretionary and non-discretionary portfolio management services. Our investment advice is tailored to meet our clients’ needs and investment objectives. If you retain our firm for portfolio management services, we will meet with you to determine your investment objectives, risk tolerance, and other relevant information (the “suitability information”) at the beginning of our advisory relationship. We will use the suitability information we gather to develop a strategy that enables our firm to give you continuous and focused investment advice and/or to make investments on your behalf. Once we construct an investment portfolio for you, we will monitor your portfolio’s performance on an ongoing basis, and will rebalance the portfolio as required by changes in market conditions and in your financial circumstances.

In order to participate in our discretionary portfolio management program, you will have to grant our firm discretionary authority in writing to manage your account. Discretionary authorization will allow our firm to determine the specific securities, and the amount of securities, to be purchased or sold for your account without your approval prior to each transaction. Discretionary authority is typically granted by the investment advisory agreement you sign with our firm, a power of attorney, or trading authorization forms. You may limit our discretionary authority (for example, limiting the types of securities that can be purchased for your account) by providing our firm with your restrictions and guidelines in writing. If you enter into non-discretionary arrangements with our firm, we must obtain your approval prior to executing any transactions on behalf of your account.

We encourage you to reconcile our invoices with the statement(s) you receive from the qualified custodian. If you find any inconsistent information between our invoice and the statement(s) you receive from the qualified custodian please call our main office number located on the cover page of this brochure.

##### ***Financial Planning Services***

We offer broad-based and structured financial planning services. Financial planning will typically involve providing a variety of advisory services to clients regarding the management of their financial resources based upon an

analysis of their individual needs. If you retain our firm for financial planning services, we will meet with you to gather information about your financial circumstances and objectives. Once we review and analyze the information you provide to our firm, we will deliver a written plan to you, designed to help you achieve your stated financial goals and objectives.

Financial plans are based on your financial situation at the time we present the plan to you, and on the financial information you provide to our firm. You must promptly notify our firm if your financial situation, goals, objectives, or needs change.

You are under no obligation to act on our financial planning recommendations. Should you choose to act on any of our recommendations, you are not obligated to implement the financial plan through any of our other investment advisory services. Moreover, you may act on our recommendations by placing securities transactions with any brokerage firm.

#### ***Selection of Other Advisers***

As part of our investment advisory services, we may recommend that you use the services of a third party investment adviser ("TPA") to manage your entire, or a portion of your, investment portfolio. After gathering information about your financial situation and objectives, we will recommend that you engage a specific TPA or investment program. Factors that we take into consideration when making our recommendation(s) include, but are not limited to, the following: the TPA's performance, methods of analysis, fees, your financial needs, investment goals, risk tolerance, and investment objectives. We will monitor the TPA(s)' performance to ensure its management and investment style remains aligned with your investment goals and objectives.

#### **Types of Investments**

We offer advice on equity securities, warrants, corporate debt securities, commercial paper, certificates of deposit, municipal securities, investment company securities, US Government securities, options contracts on securities, and interest in partnerships investing in real estate, oil and gas interests, and others.

Additionally, we may advise you on any type of investment that we deem appropriate based on your stated goals and objectives. We may also provide advice on any type of investment held in your portfolio at the inception of our advisory relationship.

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

#### **Wrap Fee Programs**

McDermott Investment Advisors, LLC does not participate in any wrap fee programs.

#### **Assets Under Management**

As of December 31, 2020, we manage discretionary assets under management of approximately \$172,742,188 and non-discretionary assets under management of approximately \$48,894,333.

### **Fees and Compensation - Item 5**

#### **Portfolio Management Services**

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

**Assets Under Management**

\$25,000 - \$500,000  
\$500,001 - \$1,000,000  
\$1,000,001 and above

**Annualized Fee**

2.00%  
1.50%  
1.00%

In certain circumstances, higher fees may be negotiated. For example, we may charge an annual fee of 2.50% to manage a deep value and aggressive growth portfolio. These types of portfolios are primarily managed with the goal of generating profits on the investments and may employ high frequency trading and monitoring strategies.

Our annual portfolio management fee is billed and payable quarterly in advance based on the value of your account on the last day of the previous quarter.

If the portfolio management agreement is executed at any time other than the first day of a calendar quarter, our fees will apply on a pro rata basis, which means that the advisory fee is payable in proportion to the number of days in the quarter for which you are a client. Our advisory fee is negotiable, depending on individual client circumstances. For example, we may negotiate a lower fee for clients with an account over \$2.5 million. Additionally, individual accounts established by several members of the same family/household may be aggregated and be given a reduced rate.

At our discretion, we may combine the account values of family members living in the same household to determine the applicable advisory fee. For example, we may combine account values for you and your minor children, joint accounts with your spouse, and other types of related accounts. Combining account values may increase the asset total, which may result in your paying a reduced advisory fee based on the available breakpoints in our fee schedule stated above.

We will deduct our fee directly from your account through the qualified custodian holding your funds and securities. We will deduct our advisory fee only when you have given our firm written authorization permitting the fees to be paid directly from your account. Further, the qualified custodian will deliver an account statement to you at least quarterly. These account statements will show all disbursements from your account. You should review all statements for accuracy. We will also receive a duplicate copy of your account statements.

You may terminate the portfolio management agreement by providing written notice to our firm. You will incur a pro rata charge for services rendered prior to the termination of the portfolio management agreement, which means you will incur advisory fees only in proportion to the number of days in the quarter for which you are a client. If you have pre-paid advisory fees that we have not yet earned, you will receive a prorated refund of those fees.

**Financial Planning Services Fees**

We charge an hourly fee of \$200 for financial planning services, which is negotiable depending on the scope and complexity of the plan, your situation, and your financial objectives. An estimate of the total time/cost will be determined at the start of the advisory relationship. In limited circumstances, the cost/time could potentially exceed the initial estimate. In such cases, we will notify you and request that you approve the additional fee.

We require that you pay 50% of the fee in advance and the remaining portion upon the completion of the services rendered. We will not require prepayment of a fee more than six months in advance and in excess of \$500.

You may terminate the financial planning agreement by providing written notice to our firm. You will incur a pro rata charge for services rendered prior to the termination of the agreement. If you have pre-paid advisory fees that we have not yet earned, you will receive a prorated refund of those fees.

### **Third Party Adviser (TPAs) Fees**

We do not charge you a separate fee for evaluating and recommending other advisers to you. We will share in the advisory fee you pay directly to the TPA. The advisory fee you pay to the TPA is established and payable in accordance with the ADV brochure provided by each TPA to whom you are referred. These fees may or may not be negotiable. Our compensation may differ depending upon the individual agreement we have with each TPA. As such, we may have an incentive to recommend one TPA over another TPA with whom we have less favorable compensation arrangements.

You will be required to sign an agreement directly with the recommended TPA(s). You may terminate your advisory relationship with the TPA according to the terms of your agreement with the TPA. You should review each TPA's disclosure brochure for specific information on how you may terminate your advisory relationship with the TPA and how you may receive a refund, if applicable. You should contact the TPA directly for questions regarding your advisory agreement with the TPA.

### **Additional Fees and Expenses**

As part of our investment advisory services to you, we may invest, or recommend that you invest, in mutual funds and exchange traded funds. The fees that you pay to our firm for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or exchange traded funds (described in each fund's prospectus) to their shareholders. These fees will generally include a management fee and other fund expenses. You will also incur transaction charges and/or brokerage fees when purchasing or selling securities. These charges and fees are typically imposed by the broker-dealer or custodian through which your account transactions are executed. We do not share in any portion of the brokerage fees/transaction charges imposed by the broker-dealer or custodian. To fully understand the total cost you will incur, you should review all the fees charged by mutual funds, exchange traded funds, our firm, and others. For information on our brokerage practices, please refer to the "Brokerage Practices" section of this Disclosure Brochure.

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

Certain individuals providing investment advice on behalf of our firm are registered representatives with McDermott Investment Services, LLC, a securities broker-dealer, and a member of the Financial Industry Regulatory Authority ("FINRA") and the Securities Investor Protection Corporation ("SIPC"). In their capacity as registered representatives, these persons will receive commission-based compensation in connection with the purchase and sale of securities, including 12b-1 fees for the sale of investment company products. Compensation earned by these persons in their capacities as registered representatives, is separate and in addition to our advisory fees. This practice presents a conflict of interest because persons providing investment advice on behalf of our firm who are registered representatives have an incentive to effect securities transactions for the purpose of generating commissions rather than solely based on your needs. **Clients of our firm have the option to purchase investment products that we recommend through other brokers and agents that are not affiliated with our firm.**

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

At our discretion, we may offset our advisory fees to the extent our Associated Persons earn commissions in their separate capacities as registered representatives and insurance agents.

Any material conflicts of interest between you and our firm, or our employees are disclosed in this Disclosure Brochure. If at any time, additional material conflicts of interest arise, we will provide you with written notification of the material conflicts of interest or an updated Disclosure Brochure.

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

We do not accept performance-based fees or participate in side-by-side management. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. Performance-based fees are fees that are based on a share of capital gains or capital appreciation of a client's account. Our fees are calculated as described in the *Advisory Business* section above, and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds in your advisory account.

#### Types of Clients - Item 7

We offer investment advisory services to individuals, high net worth individuals, trusts, estates, and charitable organizations.

In general, we require a minimum of \$25,000 to open and maintain our Asset Allocation Exchanged Traded Fund Portfolio; a minimum of \$100,000 to open and maintain our Customer Managed Individual Stock and Bond Portfolio; and a minimum of \$250,000 to open and maintain our Multi-Manager Portfolio.

At our discretion, we may waive this minimum account size. For example, we may waive the minimum if you appear to have significant potential for increasing your assets under our management. We may also combine account values for you and your minor children, joint accounts with your spouse, and other types of related accounts to meet the stated minimum.

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

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

##### ***Methods of Analysis***

We may use one or more of the following methods of analysis when formulating investment advice:

- Fundamental Analysis – involves analyzing individual companies and their industry groups, such as a company's financial statements, details regarding the company's product line, the experience, and expertise of the company's management, and the outlook for the company's industry. The resulting data is used to measure the true value of the company's stock compared to the current market value.
- Technical Analysis – involves studying past price patterns and trends in the financial markets to predict



the direction of both the overall market and specific stocks.

### ***Investment Strategies***

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

- Long Term Purchases – securities purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.
- Short Term Purchases – securities purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short-term price fluctuations.
- Short Sales – a securities transaction in which an investor sells securities he or she borrowed in anticipation of a price decline. The investor is then required to return an equal number of shares at some point in the future. A short seller will profit if the stock goes down in price.

### ***Associated Risks***

You should be aware that investing in securities will subject you to market, interest rate, and economic risks. The risk of fundamental analysis is that information obtained may be incorrect and the analysis may not provide an accurate estimate of earnings, which may be the basis for a stock's value. If securities prices adjust rapidly to new information, utilizing fundamental analysis may not result in favorable performance.

### ***Tax Considerations***

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

Moreover, as a result of revised IRS regulations, custodians and broker-dealers will begin reporting the cost basis of equities acquired in client accounts on or after January 1, 2011. Our firm or the TPA managing your account will either instruct the custodian to use the *first-in, first-out* "FIFO" accounting method for calculating and reporting the cost basis of your investments or the custodian will default to the FIFO method where no instruction is given.

You are responsible for contacting your tax advisor to determine if this accounting method is the right choice for you. If your tax advisor believes another accounting method is more advantageous, please provide written notice to our firm immediately and we will alert your account custodian of your individually selected accounting method. Please note that decisions about cost basis accounting methods will need to be made before trades settle, as the cost basis method cannot be changed after settlement.

### **Risk of Loss**

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

#### Disciplinary Information - Item 9

On March 19, 2019, the SEC Staff notified McDermott Investment Advisors and Dean McDermott that it had made a preliminary determination to recommend to the SEC that an enforcement action be brought against McDermott Investment Advisors and Dean McDermott arising from investments made into unit investment trusts (UITs) for certain of their advisory clients from January 2012 through December 2014. On September 13, 2019, the SEC notified us that it has filed a civil action in the United States District Court for the Eastern District of Pennsylvania related to these allegations. While we believe these purchases were in our advisory clients' best interest considering the level of service provided, as well as other discounts given, to advisory clients, the SEC maintains its position that these purchases resulted in a breach of fiduciary duty owed to our advisory clients. The SEC's allegations include violations concerning inadequate disclosures to advisory clients regarding the availability of UITs with less expensive fee structures. The SEC also alleges that Mr. McDermott aided and abetted the Firm's alleged violations.

Both the Firm and Mr. McDermott believe they have meritorious defenses to the allegations raised by the SEC, and intend to defend themselves vigorously.

There are no other pending civil actions against the Firm or any management person. There are no pending criminal actions against the Firm or any management person. There are no criminal or civil actions in a domestic, foreign or military court of competent jurisdiction in which the Firm or any management person has been convicted or found liable.

There is no administrative proceeding at this time before the SEC in which the Firm or a management person has been involved. There is no self-regulatory organization proceeding in which the Firm or a management person is involved.

#### Other Financial Industry Activities or Affiliations - Item 10

##### **Registrations with Broker-Dealer**

Dean P. McDermott, Ph.D., Managing Member of McDermott Investment Advisors, LLC is also the principal owner and a registered representative with McDermott Investment Services, LLC ("MIS"). MIS is a diversified financial services company engaged in the sale of specialized investment products.

Certain Investment adviser representatives of our firm are also licensed as registered representatives of MIS and may recommend securities or insurance products offered by MIS as part of your investment portfolio. If clients purchase these products through MIS, these individuals will receive the customary commissions in their separate capacity as registered representatives of MIS. These individuals may also receive 12b-1 fees from mutual funds that pay such fees. The receipt of additional compensation creates a conflict of interest because it provides an incentive to recommend investment products based on the compensation tied to those products. Investment adviser representatives of the firm endeavors at times to act in your best interest and to only recommend investments that are suitable for you. We have policies and procedures in place to monitor all Client transactions.

##### **Recommendation of Other Advisers**

We may recommend that you use a third party adviser ("TPA") based on your needs and suitability. We will receive compensation from the TPA for recommending that you use their services. These compensation arrangements present a conflict of interest because we have a financial incentive to recommend the services of the third party adviser. You are not obligated, contractually or otherwise, to use the services of any TPA we recommend.

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

We strive to comply with applicable laws and regulations governing our practices. Therefore, our Code of Ethics includes guidelines for professional standards of conduct for our Associated Persons. Our goal is to protect your interests at all times and to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing with you. All of our Associated Persons are expected to adhere strictly to these guidelines. Our Code of Ethics also requires that certain persons associated with our firm submit reports of their personal account holdings and transactions to a qualified representative of our firm who will review these reports on a periodic basis. Persons associated with our firm are also required to report any violations of our Code of Ethics. Additionally, we maintain and enforce written policies reasonably designed to prevent the misuse or dissemination of material, non-public (insider) information about you or your account holdings by persons associated with our firm.

Our Code of Ethics is available to you upon request. You may obtain a copy of our Code of Ethics by contacting Dean P. McDermott at (866) 905-7375.

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

As disclosed above, advisory representatives are registered representatives licensed to sell securities through McDermott Investment Services, LLC. In this capacity, advisory representatives may be involved in, and compensated for, the sale of securities of various types, including, but not limited to, stocks, bonds, and mutual funds.

You are expressly advised that you have total freedom to implement recommendations through any broker/dealer of your choosing. If you choose to implement recommendations we make by purchasing securities through McDermott Investment Services, LLC, your advisory representative in his or her separate capacity as a registered representative, may receive additional compensation in the form of commissions, including 12b-1 fees for the sale of investment company products.

#### **Personal Trading Practices**

Our firm or persons associated with our firm may buy or sell securities for you at the same time we or persons associated with our firm buy or sell such securities for our own account. We may also combine our orders to purchase securities with your orders to purchase securities ("block trading"). Please refer to the "Brokerage Practices" section in this Brochure for information on our block trading practices. Our firm or persons associated with our firm may recommend securities to you at the same time we or persons associated with our firm purchase such securities for our own account.

A conflict of interest exists in such cases because we have the ability to trade ahead of you and potentially receive more favorable prices than you will receive. To eliminate this conflict of interest, it is our policy that neither our Associated Persons nor we shall have priority over your account in the purchase or sale of securities.

#### **Brokerage Practices - Item 12**

When selecting brokerage firms to recommend to our clients, we consider such firms' reputation, execution capabilities, commission rates, and the ease of trading and management of clients' accounts by having the majority of client accounts resident at the same brokerage firm.

Currently, we recommend the brokerage services of McDermott Investment Services, LLC, a securities broker-dealer, and a member of the Financial Industry Regulatory Authority and the Securities Investor Protection

Corporation, and its custodian RBC Capital Markets Corporation. McDermott Investment Services, LLC is affiliated with our firm through common control and ownership. We believe that McDermott Investment Services, LLC provides quality execution services for you at competitive prices. Price is not the sole factor we consider in evaluating best execution. We also consider the quality of the brokerage services provided by McDermott Investment Services, LLC, including the value of research provided, the firm's reputation, execution capabilities, commission rates, and responsiveness to our clients and our firm. In recognition of the value of research services and additional brokerage products and services McDermott Investment Services, LLC provides, you may pay higher commissions and/or trading costs than those that may be available elsewhere.

The practice of executing transactions for advisory accounts through McDermott Investment Services, LLC, our affiliate, poses a conflict of interest. Persons associated with our firm who are licensed as registered representatives or otherwise have a financial interest in McDermott Investment Services, LLC, may receive commissions and other transaction-related compensation from McDermott Investment Services, LLC in connection with client securities transactions. We have adopted compliance procedures and a code of ethics to address all possible conflicts of interest and to require our Associated Persons to adhere to our fiduciary duty of fair dealing with clients.

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

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

#### **Directed Brokerage**

In limited circumstances, and at our discretion, some clients may instruct our firm to use one or more particular brokers for the transactions in their accounts. If you choose to direct our firm to use a particular broker, you should understand that this might prevent our firm from effectively negotiating brokerage commissions on your behalf. This practice may also prevent our firm from obtaining favorable net price and execution. Thus, when directing brokerage business, you should consider whether the commission expenses, execution, clearance, and settlement capabilities that you will obtain through your broker are adequately favorable in comparison to those that we would otherwise obtain for you.

#### **Block Trades**

We combine multiple orders for shares of the same securities purchased for advisory accounts we manage (this practice is commonly referred to as "block trading"). We will then distribute a portion of the shares to participating accounts in a fair and equitable manner. The distribution of the shares purchased is typically proportionate to the size of the account, but it is not based on account performance or the amount or structure of management fees. Subject to our discretion regarding factual and market conditions, when we combine orders, each participating account pays an average price per share for all transactions and pays a proportionate share of all transaction costs.

Accounts owned by our firm or persons associated with our firm may participate in block trading with your accounts; however, they will not be given preferential treatment.

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

#### ***Portfolio Management Account Reviews***

Dean P. McDermott, Managing Member, or another qualified Investment Adviser Representative of our firm will monitor your securities holdings on an ongoing basis and will conduct account reviews at least monthly to ensure the advisory services provided to you is consistent with your current investment needs and objectives. Additional reviews may be conducted based on various factors, including, but not limited to: contributions and withdrawals,

market moving events, security specific events, and/or, changes in your risk/return objectives.

You will receive trade confirmations and monthly or quarterly statements from your account custodian(s). Only at your request will we provide you with additional written reports in conjunction with account reviews.

A financial plan is a snapshot in time and no ongoing reviews are conducted. We recommend clients engage us on an annual basis to update the financial plan. Such reviews and updates are subject to the firm's then current hourly rate.

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

As disclosed under the "Fees and Compensation" section in this Brochure, persons providing investment advice on behalf of our firm are registered representatives with McDermott Investment Services, LLC., a securities broker-dealer, and a member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation. While we endeavor at all times to put your interests first as part of our fiduciary duty we owe, you should be aware that the receipt of additional compensation itself creates a conflict of interest.

For more information on the conflicts of interest this presents, and how we address these conflicts, please refer to the "Fees and Compensation" section of this brochure.

#### **Recommendation of Other Advisors**

We may recommend that you use a third party advisor (TPA) as part of our asset allocation and investment strategy. We will share in the compensation received by the TPA for managing your account. The compensation arrangement presents a conflict of interest due to a financial incentive to recommend the services of the third party advisor. In order to address this conflict, the firm has adopted a code of ethics that obliges all associated persons to deal fairly with all clients when taking investment action and to uphold their fiduciary duty and to put the client's interest first. Clients are not required to use the services of any TPA we recommend.

We and our related persons do not compensate, either directly or indirectly, any person or entity who is not our supervised person for client referrals.

#### Custody - Item 15

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

If you have a question regarding your account statement or if you did not receive a statement from your custodian, please contact Dean P. McDermott, Managing Member, at (866) 905-7375.

#### Investment Discretion - Item 16

You may grant our firm discretion over the selection and amount of securities to be purchased or sold for your account(s) without obtaining your consent or approval prior to each transaction. Before we can buy or sell securities on your behalf, you must first sign our discretionary management agreement, a power of attorney, and/or a trading authorization form.

You may specify investment objectives, guidelines, and/or impose certain conditions or investment parameters for your account(s). For example, you may specify that the investment in any particular stock or industry should not exceed specified percentages of the value of the portfolio and/or restrictions or prohibitions of transactions in the securities of a specific industry or security. Please refer to the "Advisory Business" section in this Brochure for more information on our discretionary management services.

If you enter into non-discretionary arrangements with our firm, we will obtain your approval prior to the execution of any transactions for your account(s).

#### Voting Client Securities - Item 17

We will not vote proxies on behalf of your advisory accounts. At your request, we may offer you advice regarding corporate actions and the exercise of your proxy voting rights. If you own shares of applicable securities, you are responsible for exercising your right to vote as a shareholder.

In most cases, you will receive proxy materials directly from the account custodian. However, in the event we were to receive any written or electronic proxy materials, we would forward them directly to you by mail, unless you have authorized our firm to contact you by electronic mail, in which case, we would forward any electronic solicitation to vote proxies.

#### Financial Information - Item 18

We are required in this Item to provide you with certain financial information or disclosures about our financial condition. We do not require the prepayment of over \$500, six or more months in advance. Additionally, our firm has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

#### Requirements of State-Registered Advisers - Item 19

**This section is not applicable – Our firm is SEC registered.**

#### Miscellaneous

**Trade Errors**

In the event a trading error occurs in your account, our policy is to restore your account to the position it should have been in had the trading error not occurred. Depending on the circumstances, corrective actions may include canceling the trade, adjusting an allocation, and/or reimbursing the account. If a trade error results in a profit, you will keep the profit.

**Class Action Lawsuits**

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

**Confidentiality**

We view protecting your private information as a top priority. Pursuant to applicable privacy requirements, we have instituted policies and procedures to ensure that we keep your personal information private and secure.

We do not disclose any nonpublic personal information about you to any nonaffiliated third parties, except as permitted by law. In the course of servicing your account, we may share some information with our service providers, such as transfer agents, custodians, broker-dealers, accountants, consultants, and attorneys.

We restrict internal access to nonpublic personal information about you to employees, who need that information in order to provide products or services to you. We maintain physical and procedural safeguards that comply with regulatory standards to guard your nonpublic personal information and to ensure our integrity and confidentiality. We will never sell information about you or your accounts to anyone. We do not share your information unless it is required to process a transaction, at your request, or required by law.

You will receive a copy of our privacy notice prior to or at the time you sign an advisory agreement with our firm. Thereafter, we will deliver a copy of the current privacy policy notice to you on an annual basis. Please contact Dean P. McDermott, Managing Member, at (866) 905-7375, if you have any questions regarding this policy.