



# Brown Wealth Management, LLC (dba RAI Wealth)

1700 Park Street, Suite 106  
Naperville, IL 60563  
[www.raiwealth.com](http://www.raiwealth.com)  
(630) 733-8434

**March 6, 2023**

## **Item 1: Firm Brochure (Form ADV Part 2A)**

This brochure provides information about the qualifications and business practices of Brown Wealth Management, LLC. If you have any questions about the contents of this brochure, please contact us at the phone number listed above. 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. Registration (e.g. “registered investment advisor”) does not imply a certain level of skill or training.

Additional information about Brown Wealth Management, LLC also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2: Material Changes**

Pursuant to Illinois and SEC rules, Brown Wealth Management, LLC (“RAI Wealth” or the “Firm”) will ensure that clients receive a summary of any material changes to this and subsequent disclosure brochures within 120 days after the Firm’s fiscal year end, December 31. This means that if there were any material changes over the past year, clients will receive a summary of those changes no later than April 30. At that time, RAI Wealth will also offer a copy of its most current disclosure brochure and may also provide other ongoing disclosure information about material changes as necessary. If there are no material changes over the past year, no notices will be sent.

Clients and prospective clients can always receive the most current disclosure brochure for RAI Wealth at any time by contacting their investment advisor representative.

This is a new brochure as of March 6, 2023.

## Item 3 Table of Contents

|  |    |
|--|----|
| Item 1: Firm Brochure (Form ADV Part 2A).....                            | 1  |
| Item 2: Material Changes.....  | 2  |
| Item 3 Table of Contents .....   | 3  |
| Item 4 Advisory Business.....  | 4  |
| Item 5 Fees and Compensation.....  | 5  |
| Item 6 Performance-Based Fees and Side-By-Side Management.....           | 8  |
| Item 7 Types of Clients.....   | 8  |
| Item 8 Methods of Analysis, Investment Strategies and Risk of Loss ..... | 8  |
| Item 9 Disciplinary Information .....                                    | 13 |
| Item 10 Other Financial Industry Activities and Affiliations.....        | 13 |
| Item 11 Code of Ethics, Conflicts of Interest, and Personal Trading..... | 14 |
| Item 12 Brokerage Practices.....   | 15 |
| Item 13 Review of Accounts .....   | 17 |
| Item 14 Client Referrals and Other Compensation.....                     | 17 |
| Item 15 Custody.....   | 17 |
| Item 16 Investment Discretion.....                                       | 18 |
| Item 17 Voting Client Securities .....                                   | 18 |
| Item 18 Financial Information .....                                      | 19 |

## **Item 4 Advisory Business**

### ***Firm Description***

RAI Wealth is an SEC registered investment advisor and the Firm was founded in December 2014.

The Principal Owner of RAI Wealth is Scott Brown and the Chief Compliance Officer is Melissa Imbrogno.

### ***Types of Advisory Services***

The Firm offers a variety of services, including financial planning and portfolio management for individuals, families, and/or small businesses. The Firm offers these services to clients or potential clients (“clients”).

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

As part of our portfolio management services, in addition to other types of investments (see disclosures below in this section), we may invest your assets according to one or more model portfolios developed by our firm. These models are designed for investors with varying degrees of risk tolerance ranging from a more aggressive investment strategy to a more conservative investment approach. Clients whose assets are invested in model portfolios may set restrictions on the specific holdings or allocations within the model, such as the types of securities that can be purchased in the model by providing us written notice related to these restrictions.

These services are offered as part of our discretionary portfolio management services. If you participate in our discretionary portfolio management services, we require you to grant us discretionary authority to manage your account. Subject to a grant of discretionary authorization, we have the authority and responsibility to formulate investment strategies on your behalf. Discretionary authorization will allow us to determine the specific securities, and the amount of securities, to be purchased or sold for your account without obtaining your approval prior to each transaction. We will also have discretion over the broker or dealer to be used for securities transactions in your account. Discretionary authority is typically granted by the investment advisory agreement you sign with our firm, a power of attorney, or trading authorization forms. As explained above, you may limit our discretionary authority. Our investment advice is tailored to meet our clients' needs and investment objectives.

### ***Services Tailored to Clients' Needs***

Services are provided based on a client's specific needs within the scope of the services provided as discussed above. A review of the information provided by the client regarding the client's current financial situation, goals, and risk tolerances will be performed and advice will be provided that is in line with available information.

### ***Wrap Fee Program versus Portfolio Management Program***

RAI Wealth does not offer a Wrap Fee Program.

### ***Assets Under Management***

As of March 6, 2023, RAI Wealth has the following assets under management:

Discretionary assets: \$0  
Non-discretionary assets: \$0

## **Item 5 Fees and Compensation**

### ***Fees and other charges***

#### **Individually Managed Accounts:**

Fees for individually managed accounts are tier priced as follows:

| <i>Account Size</i>   | <i>Fee (Annual percentage)*</i> |
|-----------------------|---------------------------------|
| \$0-500,000           | 1.25 %                          |
| \$500,000-2,000,000   | 1.00 %                          |
| \$2,000,000-5,000,000 | 0.85 %                          |
| \$5,000,000+          | 0.75 %                          |

All asset-based fees are deducted by the qualified custodian of record monthly in arrears. The fee is based on the previous month's average daily balance of the assets in your account(s) managed by RAI Wealth. The firm, in its sole discretion, may negotiate to charge a lesser management fee based upon certain criteria (e.g., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, pro bono activities, etc.). For the initial period of an engagement, the fee is calculated on a pro rata basis based on the value of the account under firm management on the date the fee is deducted. In the event the advisory agreement is terminated, the fee for the final billing period is prorated through the effective date of the termination, and the outstanding or unearned portion of the fee is refunded to the client. Client statements for prior deductions will be provided on a monthly basis.

Adviser will provide investment advisory services and portfolio management services but will not provide custodial or other administrative services. At no time will Adviser accept or maintain custody of a client's funds or securities except for authorized fee deduction. The Client may contact the Custodian directly for disbursements, or account record changes, and may also do so in writing to the custodian. Adviser may act at the client's convenience to facilitate such written communications to the Custodian, provided that such action is not construed to be custody of client assets.

Clients may request to terminate their advisory contract with Adviser, in whole or in part, by providing advance written notice. Upon termination, any fees paid in advance will be prorated to the date of termination and any excess will be refunded to client through the Custodian. Client's advisory agreement with the Adviser is non-transferable without Client's written approval.

### ***Financial Planning***

Financial planning services are charged in advance through a fixed fee arrangement as agreed upon between the client and RAI Wealth. Fees are negotiable and vary depending upon the complexity of the client situation and the services to be provided. Fixed fees range from \$300 to \$2,500 per project. An estimate for total hours and charges is determined at the start of the advisory relationship. Financial planning fees are paid via check or with credit card.

### ***Third Party/ Custodian Fees***

In addition to the advisory fees paid to RAI Wealth, clients also incur certain charges imposed by other third parties, such as broker-dealers, custodians, trust companies, banks, and other financial institutions (collectively "Financial Institutions"). These additional charges include securities brokerage commissions, transaction fees, custodial fees, margin costs, reporting charges, charges imposed directly by a mutual fund or ETF in a client's account, as disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. The Firm's brokerage practices are described at length in Item 12, below.

RAI Wealth will provide investment advisory services and portfolio management services but will not provide custodial or other administrative services. At no time will RAI Wealth accept or maintain custody of a client's funds or securities except for authorized fee deduction. The Client may contact the Custodian directly for disbursements, or account record changes, and may also do so in writing to the custodian. RAI Wealth may act at the client's convenience to facilitate such written communications to the Custodian, provided that such action is not construed to be custody of client assets.

### ***Fee Deduction Disclosure***

Where the Firm deducts its management fee from client accounts utilizing a qualified custodian, the Firm is required to meet the following requirements.

- a. Possess written authorization from the client to deduct advisory fees from an account held by a qualified custodian;
- b. The Firm must send the qualified custodian a written invoice detailing the fee amount to be deducted from the client account; and,
- c. The Firm must send the client a written invoice itemizing the fee, the invoice must detail any formulae used to calculate the fee, the time period covered by the fee and the amount of assets under management on which the fee was based. This may be included with the clients quarterly performance report.

### ***Right of Cancellation***

In addition to the right to terminate an agreement pursuant to its terms, a client may cancel an agreement with the Firm within five (5) business days of first receiving a copy of this disclosure brochure and supplement without penalty or fee.

### **E. Outside Compensation for the Sale of Securities to Clients**

Certain Investment Adviser Representatives (IARs) of RAI Wealth are also dually registered ("Dually Registered Persons") as Registered Representatives ("RRs") and solicit, offer and sell securities through Private Client Services, LLC ("PCS"), an unaffiliated full-service securities broker-dealer that is also registered as a Registered Investment Adviser with the SEC and is a member of the Financial Industry Regulatory Authority ("FINRA") and the Securities Investors Protection Corporation ("SIPC"). Therefore, IARs can potentially be acting in two different capacities when soliciting, offering and selling investment products, and providing investment advisory services to the client. The registration as RRs, and IARs creates a potential conflict of interest when IARs solicit, offer and sell securities products for which clients would pay a commission, while also soliciting, offering and selling investment advisory services and managing the assets in their clients' accounts and charging a separate investment advisory fee.

In their capacity as registered representatives of PCS, certain Dually Registered Persons may earn commissions for the sale of securities or investment products that they recommend for brokerage clients. They do not earn commissions on the sale of securities or investment products recommended or purchased in advisory accounts through RAI Wealth. Clients have the option of purchasing many of the securities and investment products we make available to you through another broker-dealer or investment adviser. However, when purchasing these securities and investment products away from RAI Wealth, you will not receive the benefit of the advice and other services we provide.

In their capacity as registered representatives, these persons receive compensation in connection with the purchase and sale of securities or other investment products, including asset-based sales charges, service fees or 12b-1 fees, for the sale or holding, of mutual funds. 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 to advisory clients on behalf of our firm who are registered representatives have an incentive to recommend investment products based on the compensation received rather than solely based on your needs. Persons providing investment advice to advisory clients on behalf of our firm can select or recommend, and in many instances will select or recommend, mutual fund investments in share classes that pay 12b-1 fees when clients are eligible to purchase share classes of the same funds that do not pay such fees and are less expensive. This presents a conflict of interest. You are under no obligation, contractually or otherwise, to purchase securities products through any person affiliated with our firm who receives the compensation described above. When recommending the sale of investment products for which the supervised person receives compensation, RAI Wealth will document the conflict of interest in the client file and inform the client of the conflict of interest.

Commissions are not RAI Wealth's primary source of compensation for advisory services.

Advisory fees that are charged to clients are not reduced to offset the commissions or markups on

investment products recommended to clients.

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

### **A. Performance-Based Fees**

RAI Wealth does not charge or accept performance-based fees.

## **Item 7 Types of Clients**

RAI Wealth provides investment advice to many different types of clients. These clients generally include individuals, families, trusts, estates, corporations, and other types of business entities.

### ***Minimum Account Size***

RAI Wealth does not require a minimum account size for its separately managed clients.

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

### ***A. Methods of Analysis***

The Firm may use the following methods when considering investment strategies and recommendations.

#### **Charting Review**

Charting is a technical analysis that charts the patterns of stocks, bonds, and commodities to help determine buy and sell recommendations for clients. It is a way of gathering and processing price and volume information in a security by applying mathematical equations and plotting the resulting data onto graphs in order to predict future price movements. A graphical historical record assists the analyst in spotting the effect of key events on a security's price, its performance over a period of time, and whether it is trading near its high, near its low or in between. Chartists believe that recurring patterns of trading, commonly referred to as indicators, can help them forecast future price movements.

#### **Fundamental Review**

A fundamental analysis is a method of evaluating a company or security by attempting to measure its intrinsic value. Fundamental analysis attempts to determine the true value of a company or security by looking at all aspects of the company or security, including both tangible factors (e.g., machinery, buildings, land, etc.) and intangible factors (e.g., patents, trademarks, "brand" names, etc.). Fundamental analysis also involves examining related economic factors (e.g., overall economy and industry conditions, etc.), financial factors (e.g.,



company debt, interest rates, management salaries and bonuses, etc.), qualitative factors (e.g., management expertise, industry cycles, labor relations, etc.), and quantitative factors (e.g., debt-to-equity and price-to-equity ratios).

The end goal of performing fundamental analysis is to produce a value that an investor can compare with the security's current price with the aim of determining what sort of position to take with that security (e.g., if underpriced, the security should be bought; if overpriced the security should sold). Fundamental analysis uses real data to evaluate a security's value. Although most analysts use fundamental analysis to value stocks, this method of valuation can be used for many types of securities.

#### Technical Review

A technical analysis is a method of evaluating securities that analyzes statistics generated by market activity, such as past prices and volume. Technical analysis does not attempt to measure a security's intrinsic value, but instead uses past market data and statistical tools to identify patterns that can suggest future activity. Historical performance of securities and the markets can indicate future performance.

#### Cyclical Review

A cyclical analysis assumes the market reacts in reoccurring patterns that can be identified and leveraged to provide performance. Cyclical analysis of economic cycles is used to determine how these reoccurring patterns, or cycles, affect the returns of a given investment, asset, or company. Cyclical analysis is a time-based assessment which incorporates past and present performance to determine future value. Cyclical analyses exist because the broad economy has been shown to move in cycles, from periods of peak performance to periods of low performance. The risks of this strategy are two-fold: (1) the markets do not always repeat cyclical patterns; and (2) if too many investors begin to implement this strategy, it changes the very cycles of which they are trying to take advantage.

#### Economic Review

An economic analysis determines the economic environment over a certain time horizon. This involves following and updating historic economic data such as U.S. gross domestic product and consumer price index as well as monitoring key economic drivers such as employment, inflation, and money supply for the world's major economies.

### ***B. Investment Strategies***

When implementing investment advice to clients, the Firm may employ a variety of strategies to best pursue the objects of clients. Depending on market trends and conditions, RAI Wealth will employ any technique or strategy herein described, at the Firm's discretion and in the best interests of the client. The Firm does not recommend any particular security or type of security. Instead, the Firm makes recommendations to meet a particular client's financial objectives. There is inherent risk to any investment and clients may suffer loss of ALL OR PART of a principal investment.

#### Long-Term Purchases

Long-term purchases are securities that are purchased with the expectation that the value of those securities will grow over a relatively long period, generally greater than one year. Long-term purchases may be affected by unforeseen changes in the company in which a client is invested or in the overall market. Long term trading is designed to capture market rates of both return and risk. Frequent trading can affect investment performance, particularly through increased brokerage and other transaction costs and taxes. Due to its nature, the long-term strategy can expose clients to various other types of risk that will typically surface at various intervals during the time the client owns the investments. These risks include, but are not limited to, inflation (purchasing power) risk, interest rate risk, economic risk, and political/regulatory risk.

#### Short-Term Purchases

Short-term purchases are securities that are 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-term trading generally holds greater risk. Frequent trading can affect investment performance due to increased brokerage fees and other transaction costs and taxes.

#### Strategic Asset Allocation

Asset allocation is a combination of several different types of investments; typically, this includes stocks, bonds, and cash equivalents among various asset classes to achieve diversification. The objective of asset allocation is to manage risk and market exposure while still positioning a portfolio to meet financial objectives.

### ***C. Risk of Loss***

Investing inherently involves risk up to and including loss of the principal sum. Further, past performance of any security is not necessarily indicative of future results. Therefore, future performance of any specific investment or investment strategy based on past performance should not be assumed as a guarantee. RAI Wealth does not provide any representation or guarantee that the financial goals of clients will be achieved.

The potential return or gain and potential risk or loss of an investment varies, generally speaking, with the type of product invested in. Below is an overview of the types of products available on the market and the associated risks of each:

General Risks. Investing in securities always 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 can or will be met. Past performance is in no way an indication of future performance. We also cannot assure that third parties will satisfy their obligations in a timely manner or perform as expected or marketed.

General Market Risk. Investment returns will fluctuate based upon changes in the value of the portfolio securities. Certain securities held may be worth less than the price originally paid for them, or less than they were worth at an earlier time.

Common Stocks. Investments in common stocks, both directly and indirectly through investment in shares of ETFs, may fluctuate in value in response to many factors, including, but not limited to, the activities of the individual companies, general market and economic conditions, interest rates, and specific industry changes. Such price fluctuations subject certain strategies to potential losses. During temporary or extended bear markets, the value of common stocks will decline, which could also result in losses for each strategy.

Portfolio Turnover Risk. High rates of portfolio turnover could lower performance of an investment strategy due to increased costs and may result in the realization of capital gains. If an investment strategy realizes capital gains when it sells its portfolio investments, it will increase taxable distributions to you. High rates of portfolio turnover in a given year would likely result in short-term capital gains and under current tax law you would be taxed on short-term capital gains at ordinary income tax rates, if held in a taxable account.

Non-Diversified Strategy Risk. Some investment strategies may be non-diversified (e.g., investing a greater percentage of portfolio assets in a particular issuer and owning fewer securities than a diversified strategy). Accordingly, each such strategy is subject to the risk that a large loss in an individual issuer will cause a greater loss than it would if the strategy held a larger number of securities or smaller positions sizes.

Model Risk. Financial and economic data series are subject to regime shifts, meaning past information may lack value under future market conditions. Models are based upon assumptions that may prove invalid or incorrect under many market environments. We may use certain model outputs to help identify market opportunities and/or to make certain asset allocation decisions. There is no guarantee any model will work under all market conditions. For this reason, we include model related results as part of our investment decision process but we often weigh professional judgment more heavily in making trades or asset allocations.

ETF Risks, including Net Asset Valuations and Tracking Error. An ETF's performance may not exactly match the performance of the index or market benchmark that the ETF is designed to track because 1) the ETF will incur expenses and transaction costs not incurred by any applicable index or market benchmark; 2) certain securities comprising the index or market benchmark tracked by the ETF may, from time to time, temporarily be unavailable; and 3) supply and demand in the market for either the ETF and/or for the securities held by the ETF may cause the ETF shares to trade at a premium or discount to the actual net asset value of the securities owned by the ETF. Certain ETF strategies may from time to time include the purchase of fixed income, commodities, foreign securities, American Depository Receipts, or other securities for which expenses and commission rates could be higher than normally charged for exchange-traded equity securities, and for which market quotations or valuation may be limited or inaccurate.

Clients should be aware that to the extent they invest in ETF securities they will pay two levels of advisory compensation – advisory fees charged by RAI Wealth plus any advisory fees charged by the issuer of the ETF. This scenario may cause a higher advisory cost (and potentially lower investment returns) than if a Client purchased the ETF directly. An ETF typically includes embedded expenses

that may reduce the ETF's net asset value, and therefore directly affect the ETF's performance and indirectly affect a Client's portfolio performance or an index benchmark comparison. Expenses of the ETF may include investment advisor management fees, custodian fees, brokerage commissions, and legal and accounting fees. ETF expenses may change from time to time at the sole discretion of the ETF issuer. ETF tracking error and expenses may vary.

Inflation, Currency, and Interest Rate Risks. Security prices and portfolio returns will likely vary in response to changes in inflation and interest rates. Inflation causes the value of future dollars to be worth less and may reduce the purchasing power of an investor's future interest payments and principal. Inflation also generally leads to higher interest rates, which in turn may cause the value of many types of fixed income investments to decline. In addition, the relative value of the U.S. dollar-denominated assets primarily managed by RAI Wealth may be affected by the risk that currency devaluations affect Client purchasing power.

Liquidity Risk. Liquidity is the ability to readily convert an investment into cash to prevent a loss, realize an anticipated profit, or otherwise transfer funds out of the particular investment. Generally, investments are more liquid if the investment has an established market of purchasers and sellers, such as a stock or bond listed on a national securities exchange. Conversely, investments that do not have an established market of purchasers and sellers may be considered illiquid. Your investment in illiquid investments may be for an indefinite time, because of the lack of purchasers willing to convert your investment to cash or other assets.

Legislative and Tax Risk. Performance may directly or indirectly be affected by government legislation or regulation, which may include, but is not limited to: changes in investment advisor or securities trading regulation; change in the U.S. government's guarantee of ultimate payment of principal and interest on certain government securities; and changes in the tax code that could affect interest income, income characterization and/or tax reporting obligations, particularly for options, swaps, master limited partnerships, Real Estate Investment Trust, Exchange Traded Products/Funds/Securities. We do not engage in tax planning, and in certain circumstances a Client may incur taxable income on their investments without a cash distribution to pay the tax due. Clients and their personal tax advisors are responsible for how the transactions in their account are reported to the IRS or any other taxing authority.

Foreign Investing and Emerging Markets Risk. Foreign investing involves risks not typically associated with U.S. investments, and the risks may be exacerbated further in emerging market countries. These risks may include, among others, adverse fluctuations in foreign currency values, as well as adverse political, social, and economic developments affecting one or more foreign countries.

In addition, foreign investing may involve less publicly available information and more volatile or less liquid securities markets, particularly in markets that trade a small number of securities, have unstable governments, or involve limited industry. Investments in foreign countries could be affected by factors not present in the U.S., such as restrictions on receiving the investment proceeds from a foreign country, foreign tax laws or tax withholding requirements, unique trade clearance or settlement procedures, and potential difficulties in enforcing contractual obligations or other legal rules that jeopardize shareholder protection. Foreign accounting may be less transparent than U.S. accounting practices and foreign regulation may be inadequate or irregular.

Information Security Risk. We may be susceptible to risks to the confidentiality and security of its operations and proprietary and customer information. Information risks, including theft or corruption of electronically stored data, denial of service attacks on our website or websites of our third-party service providers, and the unauthorized release of confidential information are a few of the more common risks faced by us and other investment advisers. Data security breaches of our electronic data infrastructure could have the effect of disrupting our operations and compromising our customers' confidential and personally identifiable information. Such breaches could result in an inability of us to conduct business, potential losses, including identity theft and theft of investment funds from customers, and other adverse consequences to customers. We have taken and will continue to take steps to detect and limit the risks associated with these threats.

Tax Risks. Tax laws and regulations applicable to an account with RAI Wealth may be subject to change and unanticipated tax liabilities may be incurred by an investor as a result of such changes. In addition, customers may experience adverse tax consequences from the early assignment of options purchased for a customer's account. Customers should consult their own tax advisers and counsel to determine the potential tax-related consequences of investing.

Advisory Risk. There is no guarantee that our judgment or investment decisions on behalf of particular any account will necessarily produce the intended results. Our judgment may prove to be incorrect, and an account might not achieve her investment objectives. In addition, it is possible that we may experience computer equipment failure, loss of internet access, viruses, or other events that may impair access to accounts' custodians' software. RAI Wealth and its representatives are not responsible to any account for losses unless caused by RAI Wealth breaching our fiduciary duty.

Dependence on Key Employees. An accounts success depends, in part, upon the ability of our key professionals to achieve the targeted investment goals. The loss of any of these key personnel could adversely impact the ability to achieve such investment goals and objectives of the account.

RAI Wealth does not primarily recommend a particular type of security.

## **Item 9 Disciplinary Information**

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

RAI Wealth and its management persons have no disciplinary disclosures.

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

### **A. Registration as a Broker/Dealer or Broker/Dealer Representative**

As discussed above in Item 5, certain representatives of RAI Wealth are registered representatives of PCS and accept compensation for the sale of securities in this capacity. PCS is a broker-dealer that is

independently owned and operated and is not affiliated with RAI Wealth. Please refer to Item 12 for a discussion of the benefits the Firm may receive from PCS and the conflicts of interest associated with receipt of such benefits.

**B. Registration as a Futures Commission merchant, Commodity Pool Operator**

RAI Wealth and its management persons are not registered and do not have application pending to register, as a futures commission merchant, commodity pool operator/advisor.

**C. Relationships Material to this Advisory Business and Possible Conflicts of Interest**

Certain IAR's are registered representatives of PCS and may solicit, recommend, offer and sell securities through PCS. IAR's will from time to time, offer clients advice or products from those activities. Clients should be aware that these services pay a commission or other compensation and involve a conflict of interest, as commissionable products conflict with the fiduciary duties of a registered investment adviser. As such, IARs are able to receive separate, yet customary commission compensation resulting from the purchase and sales of securities on behalf of their investment advisory clients. The decision to implement any or all recommendations is solely based on the discretion of the client. RAI Wealth always acts in the best interest of the client, including with respect to the sale of commissionable products to advisory clients. Clients are in no way required to implement the plan through any representative of RAI Wealth in such an individual's capacity as a registered representative.

**D. Selection of Other Advisors**

RAI Wealth does not recommend or select other investment advisers for its clients.

**Item 11 Code of Ethics, Conflicts of Interest, and Personal Trading**

***A. Fiduciary Status***

According to Illinois law, an investment advisor is considered a fiduciary. As a fiduciary, it is an investment advisor's responsibility to provide fair and full disclosure of all material facts. In addition, an investment advisor has a duty of utmost good faith to act solely in the best interest of each of its clients. RAI Wealth and its representatives have a fiduciary duty to all clients.

RAI Wealth and its representatives' fiduciary duty to clients is considered the core underlying principle for RAI Wealth's Code of Ethics and represents the expected basis for all representatives' dealings with clients. RAI Wealth has the responsibility to ensure that the interests of clients are placed ahead of it or its representatives' own investment interest. All representatives will conduct business in an honest, ethical, and fair manner. All representatives will comply with all federal and state securities laws at all times. Full disclosure of all material facts and potential conflicts of interest will be provided to clients prior to services being conducted. All representatives have a responsibility to avoid circumstances that might negatively affect or appear to affect the representatives' duty of complete loyalty to their clients.

RAI Wealth and/or its investment advisory representatives may from time-to-time purchase or sell products or investments that they may recommend to clients. RAI Wealth has adopted a Code of Ethics

that sets forth the basic policies of ethical conduct for all managers, officers, and employees of the adviser.

In addition, the Code of Ethics governs personal trading by each employee of RAI Wealth deemed to be an Access Person and is intended to ensure that securities transactions effected by Access Persons of RAI Wealth are conducted in a manner that avoids any actual or potential conflict of interest between such persons and clients of the adviser or its affiliates.

RAI Wealth collects and maintains records of securities holdings and securities transactions effected by Access Persons. These records are reviewed to identify and resolve potential conflicts of interest. RAI Wealth's Code of Ethics is available upon request.

## **Item 12 Brokerage Practices**

### ***A. Selection and Recommendation***

RAI Wealth has a duty to select brokers, dealers and other trading venues that provide best execution for clients. The duty of best execution requires an investment adviser to seek to execute securities transactions for clients in such a manner that the client's total cost or proceeds in each transaction is the most favorable under the circumstances, taking into account all relevant factors. The lowest possible commission, while very important, is not the only consideration. The broker dealer RAI Wealth currently utilizes is Private Client Services (PCS) and the primary custodian utilized is Charles Schwab. RAI Wealth also utilizes other custodians including SEI Investments.

It is the policy of the Firm to seek best execution in all portfolio trading activities for all investment disciplines and products, regardless of whether commissions are charged.

The standards and procedures governing best execution are set forth in several written policies. Generally, to achieve best execution, RAI Wealth considers the following factors, without limitation, in selecting brokers and intermediaries:

- Execution capability;
- Order size and market depth;
- Availability of competing markets and liquidity;
- Trading characteristics of the security;
- Availability of accurate information comparing markets;
- Quantity and quality of research received from the broker dealer;
- Financial responsibility of the broker-dealer;
- Confidentiality;
- Reputation and integrity;
- Responsiveness;
- Recordkeeping;
- Ability and willingness to commit capital;
- Available technology; and

- Ability to address current market conditions.

RAI Wealth evaluates the execution, performance, and risk profile of the broker-dealers it uses at least quarterly.

### ***B. Research and Other Soft Dollar Benefits***

Soft dollar practices are arrangements whereby an investment adviser directs transactions to a broker-dealer in exchange for certain products and services that are allowable under SEC and Illinois rules. Client commissions may be used to pay for brokerage and research services and products as long as they are eligible under Section 28(e) of the Exchange Act of 1934. Section 28(e) sets forth a “safe harbor,” which provides that an investment adviser that has discretion over a client account is not in breach of its fiduciary duty when paying more than the lowest commission rate available if the adviser determines in good faith that the rate paid is commensurate with the value of brokerage and research services provided by the broker-dealer.

RAI Wealth does not currently have any soft dollar benefit arrangements.

### ***C. Brokerage for Client Referrals***

RAI Wealth does not receive client referrals from third parties for recommending the use of specific broker-dealer brokerage services.

### ***D. Directed Brokerage***

Securities transactions are executed by brokers selected by RAI Wealth in its discretion and without the consent of clients. RAI Wealth generally will not recommend, request, or require clients to direct the Firm to execute transactions through a specified broker-dealer. Not all investment advisers require their clients to direct brokerage.

### ***E. Order Aggregation***

Trade aggregation is the act of trading a large block of a security in a single order. Shares of a purchased security are then allocated to the appropriate accounts in the appropriate proportion. The main purposes of order aggregation are (i) for ease of trading and (ii) to obtain a lower transaction cost associated with trading a larger quantity. We will not place trades on a block trade basis, and will trade portfolio securities on an individual basis based on the client’s profile, needs and objectives. Because we do not aggregate trades, clients purchasing securities around the same time may receive a less favorable price than other clients.

### ***F. Trade Error Policy***

RAI Wealth maintains a record of any trading errors that occur in connection with investment activities of its clients. Both gains and losses that result from a trading error made by RAI Wealth will be borne or realized by the Firm.



## **Item 13 Review of Accounts**

### ***A. Periodic Reviews***

The Firm regularly reviews and evaluates client accounts for compliance with each client's financial plan, investment objectives, policies and restrictions. The Firm analyzes rates of return and allocation of assets to determine model strategy effectiveness. Such reviews are conducted by the Chief Compliance Officer of RAI Wealth in conjunction with and alongside the Wealth Advisors and Chief Investment Officer. These period reviews shall occur at least once per calendar year.

### ***B. Intermittent Review Factors***

Intermittent reviews may be triggered by substantial market fluctuation, economic or political events, or changes in the client's financial status (such as retirement, termination of employment, relocation, inheritance, etc.). Clients are advised to notify RAI Wealth promptly if there are any material changes in their financial situation, investment objectives, or in the event they wish to place restrictions on their account.

### ***C. Reports***

Clients may receive confirmations of purchases and sales in their accounts and will receive, at least quarterly, statements containing account information such as account value, transactions, and other relevant information. Confirmations and statements are prepared and delivered by the custodian.

### ***D. Financial Plans***

All financial planning accounts are reviewed upon financial plan creation and plan delivery by RAI Wealth. There are multiple levels of review for each financial plan. Each financial planning client will receive the financial plan upon completion and or periodic updates as may be appropriate.

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

### ***Client Referrals***

RAI Wealth will not receive any economic benefit from another person or entity for soliciting or referring clients.

### ***Other Compensation***

RAI Wealth will not pay another person or entity for referring or soliciting clients for RAI Wealth.

## **Item 15 Custody**

### ***A. Custodian of Assets***

Custody means holding, directly or indirectly, client funds or securities or having any authority to obtain possession of them.

RAI Wealth does not have direct custody of any client funds and/or securities. RAI Wealth will not maintain physical possession of client funds and securities. Instead, clients' funds and securities are held by a qualified custodian.

While RAI Wealth does not have physical custody of client funds or securities, payments of fees may be paid by the custodian from the custodial brokerage account that holds client funds pursuant to the client's account application.

In certain jurisdictions, the ability of RAI Wealth to withdraw its management fees from the client's account may be deemed custody. Prior to permitting direct debit of fees, each client provides written authorization permitting fees to be paid directly from the custodian.

As part of the billing process, the client's 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 within the account during the reporting period. The custodian does not calculate the amount of the fee to be deducted and does not verify the accuracy of RAI Wealth's advisory calculation. Therefore, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation. Clients should contact RAI Wealth directly if they believe that there may be an error in their statement.

The primary custodian RAI Wealth currently utilizes is Charles Schwab.

## **Item 16 Investment Discretion**

RAI Wealth may exercise full discretionary authority to supervise and direct the investments of a client's account. This authority will be granted by clients upon completion of RAI Wealth's portfolio management agreement. This authority allows RAI Wealth and its affiliates to implement investment decisions without prior consultation with the client. Such investment decisions are made in the client's best interest and in accordance with the client's investment objectives. Other than agreed upon management fees due to RAI Wealth, this discretionary authority does not grant the Firm the authority to have custody of any assets in the client's account or to direct the delivery of any securities or the payment of any funds held in the account to RAI Wealth. The discretionary authority granted by the client to the Firm does not allow RAI Wealth to direct the disposition of such securities or funds to anyone except the account holder.

## **Item 17 Voting Client Securities**

The Firm does not perform proxy voting services on the client's behalf. Clients are encouraged to read through the information provided with the proxy voting documents and to make a determination based

on the information provided. Upon the client's request, Firm representatives may provide limited clarifications of the issues presented in the proxy voting materials based on his or her understanding of issues presented in the proxy voting materials. However, clients have the ultimate responsibility for making all proxy voting decisions.

For accounts subject to the provisions of the Employee Retirement Income Security Act of 1974 ("ERISA"), the plan fiduciary specifically keeps the authority and responsibility for the voting of any proxies for securities held in plan accounts. Also, RAI Wealth cannot give any advice or take action with respect to the voting of these proxies.

## **Item 18 Financial Information**

### ***A. Balance Sheet Requirement***

RAI Wealth is not the qualified custodian for client funds or securities and does not require prepayment of fees of more than \$1200 per client, six (6) months or more in advance.

### ***B. Financial Condition***

RAI Wealth does not have any financial impairment that would preclude the Firm from meeting contractual commitments to clients.

### ***C. Bankruptcy Petition***

RAI Wealth has not been the subject of a bankruptcy petition at any time during the last 10 years.