

# DISCLOSURE BROCHURE

THE INVESTMENT ADVISERS ACT OF 1940 RULE 203-1

**Part 2A of Form ADV: Firm Brochure**



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This Disclosure Brochure provides information about the qualifications and business practices of Murphy, Middleton, Hinkle & Parker, Inc, which should be considered before becoming a client. You are welcome to contact us should you have any questions about the contents of this brochure - our contact information is listed to the right. Additional information about Murphy, Middleton, Hinkle & Parker, Inc is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

The information contained in this Disclosure Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any State Securities Administrator. Furthermore, the term "registered investment advisor" is not intended to imply that Murphy, Middleton, Hinkle & Parker, Inc. has attained a certain level of skill or training.

BROCHURE  
DATED

**1  
JANUARY  
2023**



## MATERIAL CHANGES

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ITEM 2

There have been no material changes made to this document since the last revision date indicated on the cover of this Disclosure Brochure.



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**ADVISORY BUSINESS**

ITEM 4

**Who We Are**

**MMHP Investment Advisors**<sup>1</sup> (hereinafter referred to as “the Company”, “we”, “us” and “our”) is a registered investment advisor<sup>2</sup> incorporated in March of 1992 as a Georgia corporation. We offer investment management services<sup>3</sup> designed to assist you, our client<sup>4</sup>, in achieving your financial goals.

**Owners**

The following persons control the Company:

Name	Title	CRD#
Fred E. Murphy, IV	Managing Director	2186554
David J. Middleton	Managing Director & Chief Compliance Officer	1894996

**Our Mission**

Our mission is to provide you with superior investment solutions that address your unique investment objective and tolerance for risk. We will come along side and assist you with navigating the maze of financial alternatives you will encounter during your lifetime, so that intelligent, informed economic decisions can be made.

**Assets Under Management**

All investment management services are offered on a discretionary basis; however, we do maintain a few non-discretionary accounts for retirement planning purposes. Assets under advisement are accounts we have referred to a third-party money manager to independently handle all asset management strategies in your portfolio account(s). As of December 31, 2022, our assets totaled:

Discretionary Accounts.....	\$348,828,628
Non-Discretionary Accounts .....	\$0
Assets Under Advisement <sup>5</sup> .....	\$0

<sup>1</sup> MMHP Investment Advisors is the doing-business-as name for Murphy, Middleton, Hinkle & Parker, Inc.

<sup>2</sup> The term “registered investment advisor” is not intended to imply that MMHP Investment Advisors has attained a certain level of skill or training. It is used strictly to reference the fact that we are “Registered” as a licensed “Investment Advisor” with the United States Securities & Exchange Commission - and “Notice Filed” with such other State Regulatory Agencies that may have limited regulatory jurisdiction over our business practices.

<sup>3</sup> MMHP Investment Advisors is a **fiduciary**, as defined within the meaning of Title I of the Employer Retirement Income Security Act of 1974 (“ERISA”) and/or as defined under the Internal Revenue Code of 1986 (the “Code”) for **any investment management services provided to a client who is:** (i) a plan participant or beneficiary of a retirement plan subject to ERISA or as described under the Code; or (ii) the beneficial owner of an Individual Retirement Account (“IRA”).

<sup>4</sup> A client could be an individual, a family office, a foundation or endowment, a corporation and/or small business, a charitable organization, a trust, an estate, a retirement plan or any other type of entity structure to give investment advice.

<sup>5</sup> Assets Under Advisement are account assets managed by third-party money managers (“Portfolio Managers”). Assets managed by Portfolio Managers are not included in our “Regulatory Assets Under Management” calculation in our Form ADV Part 1A, Item 5.F unless we have discretionary authority to hire and fire Portfolio Managers and reallocate your assets without your prior consent.



For information on our advisory business see “Services We Offer” below. You can also read more about our investment services under “Portfolio Management” and “Portfolio Monitoring” that includes the cost of our services in Item 5, “Fees & Compensation.”

## What We Do

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**We manage wealth.** Our investment services begin with a pre-advisory consultation with you to discuss issues such as your current income and expenses, career, and personal goals, along with additional information we may gather about you through a profile questionnaire<sup>6</sup> to ascertain your investment return expectations, risk tolerance, and suitability. If you have difficulty expressing your monetary needs or do not truly have a grasp of your overall personal finances, **a financial plan may be suggested before proceeding with any investment services.**

Our meetings with you to discuss your finances, and, if necessary, develop a financial plan, will help to eliminate much of the guesswork in achieving the security and independence you desire and simplify your financial alternatives. In return, we will have:

- ❖ Defined and narrowed objectives and investment options;
- ❖ Identified areas of greatest distress;
- ❖ Developed a strategy for addressing concerns about the future;
- ❖ Cultivated peace of mind; and,
- ❖ Created a unique picture of your overall economic personality.

Once your financial parameters have been identified, we will prepare an investment plan that outlines what asset mix is most suitable for your unique investment expectations and risk tolerance. This investment plan will guide us in the management of your account(s), and as a standard against which to measure future results and to make modifications where necessary.

## Services We Offer

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### Investment Management

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We offer two investment management options based on your financial needs. These services include: (1) Portfolio Management; and (2) Portfolio Selection and Monitoring.

#### Portfolio Management

Our Portfolio management strategies focus on designing a portfolio allocation of equities (stocks) and fixed income/debt (“bond”) instruments, and a mix of investment company products (mutual funds), exchange traded funds (ETFs) to achieve the best return on your investment capital. Depending on our proprietary growth and value equity investment strategies, your investment portfolio will consist of those securities that we feel can perform well versus popular market indices over a complete market cycle.

You will find more information about our management services under “Portfolio Management” in Item 5, “Fees & Compensation” below and further description of our investment strategies under Item 8, “Methods of Analysis, Investment Strategies & Risk of Loss.”

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<sup>6</sup> The profile questionnaire we use is an important tool in gathering information about your investment methodology, risk tolerance, income/tax bracket, liquidity, time horizons, etc. If you elect not to answer the questionnaire or choose to respond with limited input, it is possible that we could operate in a handicapped capacity contrary to your investment needs. Therefore, if you desire the most effective and accurate recommendations regarding your managed account(s), you should make every effort to provide us with your detailed personal needs and objectives, along with detailed financial and tax information.



### Portfolio Monitoring

Portfolio monitoring consists of recommending third-party money managers (“Portfolio Manager”) for you to select, whose investment disciplines most closely resemble your investment parameters. Portfolio monitoring includes:

- ❖ An asset allocation plan illustrating the balancing of investment return and risk, emphasizing spreading risk among various asset classes and investment vehicles as a classic way to increase portfolio security; and,
- ❖ Recommended Portfolio Managers to implement your asset allocation strategy.

Under these arrangements, we are not involved in the day-to-day management of your portfolio assets. Our responsibility will be to continuously evaluate the performance of your portfolio to ensure the Portfolio Manager adheres to your investment parameters and to make recommendations regarding the Portfolio Manager as market factors and your personal goals dictate.

More information about our “Portfolio Monitoring” services is available below under Item 5, “Fees & Compensation” below and how we evaluate Portfolio Managers is also discussed under Item 8, “Methods of Analysis, Investment Strategies & Risk of Loss.”

### Financial Planning

Financial planning is one of the most important services that successful people use to create an extraordinary personal life and business career. However, it requires a lifetime commitment, not only from us, the Financial Planner, but from you as well.

The financial planning process helps to identify and/or clarify purpose, values, needs, and priorities and align your financial decisions with your goals in all areas of your life.

#### What is a Financial Plan?

Financial planning is an evaluation of the investment and financial options available to you based upon your defined lifestyle choices. Planning includes: (i) attempting to make optimal decisions; (ii) projecting the consequences of these decisions for you in the form of a financial plan - a working blueprint; and, (iii) implementing the protocol to achieve the objectives of the plan. Once complete, the plan is then used to compare future performance against the working blueprint.

#### Financial Planning Composition

A financial plan can be **comprehensive** - a mutually defined review of your personal financial needs; or, **targeted** - a review, analysis and evaluation of a core area of financial need. In general, our financial planning encompasses one or more of the following areas of financial need as presented by you:

- ❖ Identify and clarify personal and family core values, mission, vision, and goals.
  - ❖ Preparation of the financial plan/roadmap, which encompasses your:
    - Current financial situation.
    - Liquidity and asset preservation needs.
    - Wealth accumulation and growth.
    - Wealth distribution and transfer.
- More specifically the financial plan/roadmap may include, but is not limited to the following modules:
- Financial Statements - Cash Flow and Balance Sheet.
  - Savings and Emergency Reserves.
  - Asset Allocation and Investment Portfolio Analysis.



- Potential Income Tax consequences in collaboration with your tax advisor.
- Risk Management and Insurance Analysis.
- Retirement and Income Analysis.
- Long-Term Healthcare.
- Estate and Family Legacy Planning.
- Business Succession Planning.
- ❖ Outline of recommendations, strategies, solutions and resources.
- ❖ Prioritizing and implementing the written action plan.
- ❖ Investment consultations that allow us to create and implement a customized investment strategy tailored to your long-term investment goals.
  - Prepare a professional investment proposal that will include a written Investment Policy Statement.
  - Access to our open-architecture platform with a variety of investment management solutions.
- ❖ Informative periodicals, market commentaries and research via e-mail and website.
- ❖ Facilitate meetings with you and/or advisors or specialists within our professional network.
- ❖ Coordinate and facilitate meetings with family members, business associates, partners or other key individuals to assist with implementing your action plan.

### Financial Planning Development

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We gather the necessary information to complete our analysis through personal interviews, review of various documents supplied by you, and completion of one or more profile questionnaires.

Information gathered may include statements regarding your current financial status, a list of assets, insurance, wills and/or trust documents, income and expenses, Social Security eligibility, and other information<sup>7</sup> based on your financial status and future goals.

## FEES & COMPENSATION

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ITEM 5

### Portfolio Management

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Portfolio management is provided on an asset-based fee arrangement. Our management fee is calculated based on the aggregate market value of your account on the last business day of the previous calendar quarter multiplied by one-fourth of the corresponding annual percentage rate (i.e.,  $1.50\% \div 4 = 0.375\%$ ).

We retain discretion to negotiate the management fee under 1.50% on a client-to-client basis depending on the size, complexity, and nature of the portfolio managed.

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<sup>7</sup> All information provided by and to you will be kept entirely confidential. Such information will be disclosed to third parties only with mutual written consent or as may be permitted by law.



Generally, fee breaks occur as assets in your portfolio increase past the following tiers:

Account Value	Annual Fee Rate Not to Exceed
Equity and Balanced Portfolio Accounts	
Amounts up to \$200,000.....	1.50%
From \$200,001 to \$1,000,000 .....	1.25%
From \$1,000,001 to \$5,000,000 .....	1.00%
Over \$5,000,000 .....	0.75%
Fixed Income Portfolio Accounts	
Regardless of Account Size.....	Negotiable

We generally require a minimum initial investment of **\$200,000** to open a managed account; however, we retain the right to **waived or reduced** this minimum if we feel circumstances are warranted.

### Protocols for Portfolio Management

The following protocols establish how we handle our portfolio management accounts and what you should expect when it comes to: (i) managing your account; (ii) withdrawing funds from your account(s); (iii) your bill for investment services; (iv) other fees charged to your account(s); and, (iv) termination.

#### Discretion

We will establish discretionary trading authority on all management accounts to execute securities transactions at anytime without your prior consent or advice.

At anytime however, you may impose restrictions, **in writing**, on our discretionary authority (i.e., limit the types/amounts of particular securities purchased for your account, exclude the ability to purchase securities with an inverse relationship to the market, limit our use of leverage, etc.)

#### Billing

Your account will be billed quarterly **in arrears** based on the above fee arrangements. For **new managed accounts** opened in mid-quarter, our fee will be based upon a pro-rata calculation of the fair market value of your assets managed for the period.

Advisory fees will be deducted first from any money market funds or cash balances. If such assets are insufficient to satisfy payment of such fees, a portion of the account assets will be liquidated to cover the fees. Such liquidation may affect the relative balances of the account.

#### Withdrawals

For assets you may withdrawal during the quarter, we **do not make partial refunds** of your quarterly portfolio management fee. Any withdrawal of assets from your portfolio may require modifications and adjustments to be made in the account to correct your allocation of assets.





### Fee Exclusions

The above fees for all of our management services are exclusive of any charges imposed by the custodial firm including, but not limited to: (i) any Exchange/SEC fees; (ii) certain transfer taxes; (iii) service or account charges, including, postage/handling fees, electronic fund and wire transfer fees, auction fees, debit balances, margin interest, certain odd-lot differentials and mutual fund short-term redemption fees; and (iv) brokerage and execution costs associated with securities held in your managed account. There can also be other fees charged to your account that are unaffiliated with our management services.

In addition, all fees paid to us for portfolio management services are separate from any fees and expenses charged on mutual fund shares by the investment company or by the investment advisor managing the mutual fund portfolios. These expenses generally include management fees and various fund expense, such as: redemption fees, account fees, and purchase fees may occur but are the exception within managed accounts at institutional custodians. A complete explanation of these expenses charged by the mutual funds is contained in each mutual fund's prospectus. You are encouraged to carefully read the fund prospectus.

### Termination of Investment Services

To terminate our investment advisory services, either party (you or us) by written notification to the other party, may terminate the Investment Advisory Agreement at any time, provided such written notification is received **at least 30 days prior** to the date of termination (i.e.; To terminate services on October 1<sup>st</sup>, a request for termination should be received in our office by September 1<sup>st</sup>.). Such notification should include the date the termination will go into effect along with any final instructions on the account (i.e., liquidate the account, finalize all transactions and/or cease all investment activity).

In the event termination does not fall on the last/first day of a calendar quarter, we shall be entitled to bill your account a pro-rated quarterly management fee based upon the number of days in the quarter that your account was managed before the termination notice goes into effect. Once the termination of investment advisory services has been implemented, neither party has any obligation to the other - we no longer earn management fees or give investment advice and you become responsible for making your own investment decisions.

### Portfolio Monitoring

Under the arrangements with the Portfolio Managers, we are not involved in the day to day management of your portfolio assets. **Our responsibility to the Portfolio Manager(s)** will be to ensure you meet their minimum qualifications. Once your account has been established we will provide all administrative and clerical duties as may be required to service your account. The Portfolio Manager(s) may have little or no direct contact with you.

**Our responsibility to you** will be to continuously evaluate the performance of your portfolio to ensure the Portfolio Manager adheres to your asset allocation guidelines and will make recommendations to you regarding the Portfolio Manager as market factors and your personal goals dictate.

### Portfolio Monitoring Fee

Portfolio Monitoring is provided on an asset-based fee arrangement. The monitoring fee is **generally** calculated based on the aggregate market value of your account on the last day of the previous calendar quarter multiplied by one-fourth of the corresponding annual percentage rate (i.e.,  $1.00\% \div 4 = 0.25\%$ ).



We retain discretion to negotiate the monitoring fee on a client-to-client basis depending on the size and complexity of your portfolio monitored account. Additionally, fee breaks will occur as assets in your portfolio monitored account increase past the following tiers:

Account Value	Annual Fee Rate Not to Exceed
Amounts up to \$200,000.....	1.00%
From \$200,001 to \$1,000,000.....	0.90%
From \$1,000,001 to \$5,000,000 .....	0.80%
Over \$5,000,000 .....	0.70%

**Note:** This is a generalized fee schedule that may be modified depending on the Portfolio Manager selected for your portfolio. **Some of our Portfolio Managers may use a different fee calculation process** (e.g.: An “average daily balance” instead of an “aggregate market value.”). In addition, account minimums will vary from Portfolio Manager to Portfolio Manager. **We will discuss all fees and billing arrangements with you prior to opening any account with a Portfolio Manager.** We want you to clearly understand the management arrangements for your account.

### Portfolio Managers Fee Structure

The Portfolio Managers who will be used to manage your account(s) will disclose their fees for management services in their Disclosure Brochures (the Portfolio Manager’s ADV Part 2A: Firm Brochure or Part 2A Appendix 1: Wrap Fee Program Brochure), **which we will provide you prior to, or at the same time as, opening an account.** The fees that will be charged to your account(s) will include:

1. The Portfolio Manager’s management fee;
2. Our Portfolio Monitoring Fee (see fee schedule above) that **we will bill separately or the Portfolio Manager will pay us from the total management fee they collect;** and,
3. Trading commissions and/or account charges, depending on if the Portfolio Manager is “wrapping” all the fees, which may be imposed by the custodian or broker/dealer used to custody your account(s).

The Portfolio Manager’s Disclosure Brochure contains all pertinent disclosures relating to their management services, fee structure for such services, and their termination provisions - **you are encouraged to carefully review these disclosures.**

### Portfolio Monitoring Protocols

You will want to consult the Portfolio Manager’s Disclosure Brochure for their policies on how they will handle your account; such as, billing, deposits and withdrawals, fee exclusions, termination, and any other unique advisory costs associated with their service since we **do not take discretion** over the management of your account. We will discuss these arrangements with you when we go to open your account with a Portfolio Manager; however, **you are encouraged to read their terms for management on your own - don’t take our word for it!**



## Financial Planning

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How we charge to develop a financial plan depends on the size, complexity, and nature of your personal and financial situation and the amount of time it will take to analyze and summarize the plan and perform the services you desire.

### Planning Fees

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#### Comprehensive Planning

Comprehensive financial planning services are offered on an **hourly rate not to exceed \$300 with a maximum fixed fee not to exceed \$10,000** for the initial engagement. Comprehensive planning fees are significantly **reduced if we are providing you additional services**, such as Portfolio Management or Portfolio Monitoring services.

The comprehensive planning fee will be fully disclosed up-front in a Financial Planning Agreement, which will include the cost<sup>8</sup> to review your financial information and prepare the comprehensive financial plan. We have the option to:

1. Require one-half the fee be paid at the time the Agreement is signed, with the remaining balance due upon completion of the financial plan<sup>9</sup>; or,
2. Require one-half the fee be paid at the time the Agreement is signed, with the remaining balance billed monthly on a progress basis as the work is completed.

#### Targeted

If you desire only targeted planning - review, analysis and evaluation of a core area of financial need - the fee will be billed at our **hourly rate not to exceed \$300**<sup>10</sup>. All fees will be completely itemized in a billing statement to you, or as otherwise predetermined in a proposal, engagement letter and/or by retainer.

### Annual Review

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It is important to note that any planning is kinetic (always in motion) and alive. A financial plan is a roadmap that is only as good as how well it reflects your current economic position to then guide you on a clear path to a future financial destination. However you can veer off course, intentionally or unintentionally, as circumstances in your life take you down another path. An annual financial plan review is designed to systematically address these unexpected diversions and continually keep you on the right road headed to your future financial destination.

#### Annual Review

Once the initial financial planning services have been completed, we will establish future “Annual Review” dates. The Annual Review dates generally begin after the first anniversary will be to review and make adjustments, if necessary, to the financial plan. Together we will set the calendar dates for your future reviews; inasmuch, an Annual Review may consist of two or three visits during the calendar year.

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<sup>8</sup> Rarely will a fee exceed those costs outlined in the Agreement. However, there can be instances where we did not contract with you to perform a particular task and therefore merit notifying you of the additional cost prior to beginning such services.

<sup>9</sup> The recommendations made in a financial plan are generally completed within 30 to 45 days from you signing the Agreement. However, implementing the plan using outside professionals (i.e., attorneys, CPAs, etc...) may require additional time that is out of our control. Therefore when we refer to the completion of the financial plan, we are referring to us (you and the Company) finalizing your financial benchmarks/objectives before approaching any outside professional.

<sup>10</sup> For a Targeted Financial Plan, we require a minimum of four hours consultation to address any personal and financial needs you may have.



### Annual Review Fee

We reserve the option to waive our annual review fee if we are currently managing your investments. If we are not managing your investment portfolio and you want us to review your financial plan, we will notify you of the cost to perform the desired work before commencing. Such retainer fee will generally range from 25% to 40% of the first year planning fee depending on the length of time since our last review and on the services you request (i.e., If the first year planning fee was \$3,000, the annual review fee would be from \$750 to \$1,200.). However, if you have experienced significant change in your life circumstances since the date of your previously prepared plan, the fee could be exceedingly higher.

### Termination

#### Comprehensive or targeted Planning Termination

You can terminate the Financial Planning Agreement at any time prior to the presentation of any final planning documents. We will be compensated through the date of termination for time spent in design of such financial documents at the hourly rate agreed to in the Agreement. If you have prepaid any fees, such un-earned fees will be returned on a pro-rata basis. After the financial plan has been completed and presented to you, termination of the Agreement is no longer an option.

#### Annual Review Termination

Annual Review services can be terminated at any time. The Company will bill you for any services rendered from the date of the last bill up to the date of termination at the fee rate that was agreed to in the proposal, engagement letter and/or retainer agreement.

## PERFORMANCE-BASED FEES & SIDE-BY-SIDE MANAGEMENT

ITEM 6

We do not charge fees based on a share of capital gains or the capital appreciation of the assets held in your accounts.

## TYPES OF CLIENTS

ITEM 7

The types of clients we offer advisory services to are described above under “Who We Are” in the Advisory Business section. Our minimum account size for portfolio management is disclosed above under “Portfolio Management” in the Fees & Compensation section of this Brochure.

## METHODS OF ANALYSIS, INVESTMENT STRATEGIES & RISK OF LOSS

ITEM 8

### Portfolio Management - Methods of Analysis, Investment Strategies & Managing Risk

Our portfolio management approach incorporates your financial needs and investment objectives, time horizon, and risk tolerance to yield an effective investment strategy. Your portfolio is then tailored to these unique investment parameters using equities (stocks) and fixed income/debt (“bond”) instruments, and a mix of investment company products (mutual



funds), exchange traded funds (ETFs), and other assets to design your unique investment strategy.

In addition, depending on your risk tolerance, we may also recommend using the following investment vehicles to achieve your desired investment objective: leveraged index funds, closed-end funds, hedge funds, derivatives, private placements and other publicly traded securities. However, these investment vehicles bring on a whole different risk dynamic. If we recommend investment in one of these securities, we will discuss with you the limitations of such security and the potential risk factors to your portfolio.

### **Methods of Analysis**

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In analyzing stocks, bonds, mutual funds, and ETFs we will use both a fundamental and technical approach to gathering information and to guide us in our allocation decisions.

#### **Fundamental Analysis**

Fundamental analysis considers: economic conditions, earnings, cash flow, book value projections, industry outlook, politics (as it relates to investments), historical data, price-earnings ratios, dividends, general level of interest rates, company management, debt ratios and tax benefits.

#### **Technical Analysis**

Technical analysis utilizes current and historical pricing information to help us identify trends in the broader domestic and foreign equity and fixed income markets, and in the underlying assets themselves. This may involve the use of various technical indicators, such as moving averages and trend-lines, among others.

Fundamental analysis provides us with a broad long-term view of a security that begins with determining a company's value and the strength of its financials while technical analysis is short-term focusing on the statistics generated by market activity. Technical analysis looks to detect trends and momentum of stocks for ideal entry/exit points.

### **Investment Strategy**

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We are not bound to a specific investment strategy or ideology for the management of your investment portfolio except for how such strategy might affect the risk tolerance levels we pre-defined for you during the getting-to-know-you process.

Investment positions in your portfolios are usually diversified into at least ten different sectors of the market in order to minimize sector and industry risk. A typical equity portfolio may hold 18 to 40 positions in individual stocks and/or stock mutual funds and ETFs. The investment strategy for fixed income portfolios is designed to capitalize on opportunities available during the interest rate cycle. Bonds also provide added diversification for accounts requiring higher income. The Company's objective is to pay close attention to the spreads between government and corporate bonds and invest primarily in high quality investment grade bonds and/or bond mutual funds. Municipal bonds are utilized in taxable accounts if they provide a higher tax-advantaged yield.

Investment strategies generally incorporate these methodologies:

#### **Equity Investing**

Equity investing involves selecting individual stocks, equity mutual funds, and/or ETFs for your portfolio(s). Our strategy for selecting individual stocks is to find stocks that trade for less than their intrinsic values, being more concerned with the business and its



fundamentals than other influences on the stock's price. Our goal is to find stocks that we believe the market has undervalued but still have growth potential.

We perform fundamental analysis of a company's stock looking at both the qualitative (business model, governance, earning potential, target market factors, etc...) and quantitative (ratios, cash flow, dividends, financial statement analysis, etc...) aspects of the company to determine if the business is currently out of favor with the market and the stock price is deflated. Generally, if we find that a company's fundamentals reveal the stock to be undervalued, we will buy and hold the security until it reaches our sell target price.

### Bond Investing

Our bond investing focuses on an investment portfolio that aims to achieve long-term returns by investing in individual fixed income bonds generally with ratings of BBB or better at the time the investment is made. We also utilize fixed income mutual funds and ETFs. The investment methodology of the portfolio uses fixed income strategies designed to match the portfolio to your current and future income needs. We periodically assess our fixed income portfolios with regards to duration (interest rate sensitivity), industry and sector weightings, convexity, and yield to maturity, liquidity and quality - the key factors that determine fixed income market performance.

### Asset Allocation

Asset Allocation is a broad term used to define the process of selecting a mix of asset classes and the efficient allocation of capital to those assets by matching rates of return to a specified and quantifiable tolerance for risk. From this there are more narrow and aggressive Asset Allocation derivatives that we may use.

### Managing Risk

The biggest risk to you is the risk that the value of your investment portfolio will decrease due to moves in the market. This risk is referred to as the **market risk** factor, also known as variability or volatility risk. Other important risk factors:

- ❖ **Interest Rate Risk** - Interest rate risk affects the value of bonds more than stocks. Essentially, when the interest rate on a bond begins to rise, the value (bond price) begins to drop; and vice versa, when interest rates on a bond fall, the bond value rises.
- ❖ **Equity Risk** - Equity risk is the risk that the value of your stocks will depreciate due to stock market dynamics causing one to lose money.
- ❖ **Currency Risk** - Currency risk is the risk that arises from the change in price of one currency against that of another. Investment values in internationally securities can be affected by changes in exchange rates.
- ❖ **Inflation Risk** - The reduction of purchasing power of investments over time.
- ❖ **Commodity Risk** - Commodity risk refers to the uncertainties of future market values and the size of future income caused by the fluctuation in the prices of commodities (i.e., grains, metals, food, electricity, etc...).

The risk factors we have cited here are not intended to be an exhaustive list, but are the most common risks your portfolio will encounter. Other risks that we haven't defined could be political, over-concentration, and liquidity to name a few. However notwithstanding these risk factors, the most important thing for you to understand is that regardless of how we analyze securities or the investment strategy and methodology we use to guide us in the management of your investment portfolio, **investing in a security involves a risk of loss that**





you should be willing and prepared to bear; and furthermore, past market performance is no guarantee that you will see equal or better future returns on your investment.

### **Portfolio Monitoring - Methods of Analysis, Investment Strategies & Managing Risk**

With the use of Portfolio Managers, focus of our selection and monitoring is to balance investment return and risk, with the emphasis on spreading risk among asset classes. The specific methods of analysis, investment strategies, and risk management will be handled at the discretion of the Portfolio Manager.

We will perform a due-diligence review of our current and prospective Portfolio Managers to evaluate:

- ❖ **Regulatory Oversight:** Show proper licensure as: (a) a bank/trust company, (b) an insurance company, (c) a registered investment company, or (d) a registered investment advisor. In addition, a clear track record of compliance and understanding of their fiduciary duties.
- ❖ **Track Record:** The Portfolio Manager should have at least three years of history so that performance statistics can be properly calculated.
- ❖ **Stability:** The same management team should be in place for at least two years. This reflects team unity and balance.
- ❖ **Composition:** At least 80% of the Portfolio Manager's underlying securities investments should be consistent with the broad asset class.
- ❖ **Performance:** The Portfolio Manager's investment performance should show a competitive advantage relative to their peer group in both up and down markets. This reflects an investment knowledge and understanding of the inner-workings of the securities markets.

In monitoring the investment performance of Portfolio Managers, we will utilize the above criteria to trigger when we should more closely scrutinize a particular Manager for possible replacement.

## **DISCIPLINARY INFORMATION**

ITEM 9

We have no legal or disciplinary events to report.

## **OTHER FINANCIAL INDUSTRY ACTIVITIES & AFFILIATIONS**

ITEM 10

### **Independent Insurance Company or Agency Affiliation**

Certain of our supervised persons are licensed as resident life, health, and annuity insurance agents by the State of Florida and Georgia and may be licensed as non-resident agents in other states. These agents are licensed to sell insurance-related products and earn commissions from the sale of these products.

For further information on the potential conflicts and economic benefits from being licensed insurance agents, see Item 14, "Client Referrals & Other Compensation" of this Brochure. In addition, more information about our supervised persons' investment advisory and insurance activities can be found in his individual "Brochure Supplements."



## CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS & PERSONAL TRADING

ITEM 11

### Code of Ethics

As a fiduciary, the Company has an affirmative duty to render continuous, unbiased investment advice, and at all times act in your best interest. To maintain this ethical responsibility, we have adopted a Code of Ethics that establishes the fundamental principles of conduct and professionalism expected by all personnel in discharging their duties. This Code is a value-laden guide committing such persons to uphold the highest ethical standards, rooted in the most elementary maxim. Our Code of Ethics is designed to deter inappropriate behavior and heighten awareness as to what is right, fair, just and good by promoting:

- ❖ Honest and ethical conduct.
- ❖ Full, fair and accurate disclosure.
- ❖ Compliance with applicable rules and regulations.
- ❖ Reporting of any violation of the Code.
- ❖ Accountability.

To help you understand our ethical culture and standards, how we control sensitive information and what steps have been taken to prevent personnel from abusing their inside position, a copy of our Code of Ethics is available for review upon request.

### Client Transactions

We have a fiduciary duty to ensure that your welfare is not subordinated to any interests of ours or any of our personnel. The following disclosures are internal guidelines we have adopted to assist us in protecting all of our clientele.

#### Participation or Interest

It is against our policies for any owners, officers, directors and employees to invest with you or with a group of clients, or to advise you or a group of clients to invest in a private business interest or other non-marketable investment unless prior approval has been granted by Mr. David J. Middleton, and such investment is not in violation of any SEC and/or State rules and regulations.

#### Class Action Policy

The Company, as a general policy, does not elect to participate in class action lawsuits on your behalf. Rather, such decisions shall remain with you or with an entity you designate. We may assist you in determining whether you should pursue a particular class action lawsuit by assisting with the development of an applicable cost-benefit analysis, for example. However, the final determination of whether to participate, and the completion and tracking of any such related documentation, shall generally rest with you.

### Personal Trading

Employees of ours are permitted to personally invest their own monies in securities, which may also be, from time to time, recommended to you. Most of the time, such investment purchases are independent of, and not connected in any way to, the investment decisions made on your behalf. However, there may be instances where investment purchases for you may also be





made in an employee's account. In these situations we have implemented the following guidelines in order to ensure our fiduciary integrity:

1. No employee acting as an Investment Advisor Representative, or who has discretion over your account, shall buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment, unless the information is also available to the investing public on reasonable inquiry. No employee of ours shall prefer his or her own interest to that of yours or any other advisory client.
2. We maintain a list of all securities holdings for all our access employees. Mr. Middleton reviews these holdings on a regular basis.
3. We require that all employees act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
4. Bunched orders (See "Aggregating Trade Orders" under Item 12, "**Brokerage Practices**") may include employee accounts. In such cases, priority and advantage will be given to satisfy your order first regardless of the situation.
5. Any individual not in observance of the above may be subject to termination.

Personal trading activities are monitored by Mr. Middleton to ensure that such activities do not impact upon your security or create conflicts of interest.

## BROKERAGE PRACTICES

ITEM 12

### Custodial Services

The Company has custodial arrangements with Charles Schwab & Company, Inc. ("Schwab"), a licensed broker-dealer (member FINRA/SIPC), through its Schwab Institutional services to financial advisors; and, with Merrill Lynch & Co., Inc. ("Merrill Lynch"), a licensed broker-dealer (member FINRA/SIPC), through their institutional services division Broadcort® Advisor.

#### Charles Schwab & Company, Inc.

Schwab provides us access to its institutional trading and custody services, on-line services and desktop software for account administration and operational support, including electronic trading, account forms and applications, market data, accounting and reporting, and other relevant administrative and support services to assist with the management of your account. In addition, Schwab provides us proprietary and third-party research. These services offered from Schwab generally are available to independent investment advisors at no cost provided the investment advisor maintains a minimum amount of client assets under management in accounts at Schwab.

Services offered to us that have been discounted or waived are defined as "soft dollar" services. However, access to Schwab's online services, dedicated trading desk and service group, real-time order matching systems and electronic interface, desktop software, and any research services provided or arranged by Schwab will be used to service all client accounts and will not be limited to only those particular accounts that may have generated commissions/transaction fees.

#### Merrill Lynch & Co., Inc.

Merrill Lynch provides on-line services for account administration and operational support, including electronic trading, account forms and applications, trading authorization,



accounting and reporting, and other relevant administration and support services for the Company.

We are not a subsidiary of, or an affiliated entity of either Schwab or Merrill Lynch. We have sole responsibility for investment advice rendered, and our advisory services are provided separately and independently from both custodians.

### **Direction of Transactions and Commission Rates (Best Execution)**

We have a fiduciary duty to put your interests before our own. The advisory support services offered by both Schwab and Merrill Lynch creates an economic benefit to us and a potential conflict of interest to you; in that, our recommendation to custody your account(s) with either of these custodians may have been influenced by these arrangements/services. This is not the case; we have selected these custodians based on:

1. Their competitive transaction charges, trading platform, and on-line services for account administration and operational support.
2. General reputation, trading capabilities, investment inventory, their financial strength, and our personal experience working with the staff of both institutions.

Since we do not recommend, suggest, or make available a selection of custodians other than Schwab and Merrill Lynch, and we have not verified whether their transaction fees are competitive with another custodian, **best execution may not always be achieved**. Therefore, **you do not have to accept our recommendation to use either of these custodians**. However, if you elect to use another custodian, **we may not be able to provide you complete institutional services**.

### **Directed Brokerage Arrangements**

If you should be referred to us by a third-party (i.e., registered representatives of a broker-dealer), we will not negotiate the commission rates charged to your account for the following reasons:

- ❖ In consideration of the referral, we are not looking to appropriate your account from the third-party and business by transferring your account to another broker-dealer where you may receive better execution and commission rates. Therefore, we will leave the matter of commissions charged for execution of securities transactions for discussion and negotiation between you and the third party.
- ❖ As a result of this pre-established relationship between you and the third-party, you may not receive overall “best execution” that otherwise may be provided if your account were not referred to us by a third-party. The reason is that you are not given the option to select a custodian for your account as indicated above under “Direction of Transactions and Commission Rates”.
- ❖ We may receive benefits from the referral arrangements. If we perform our Investment Management Services to your satisfaction and to the satisfaction of the third-party, there is the possibility that the third-party will refer additional clients to us.

Notwithstanding such potential conflicts, we strive to serve your best interest; as well as, ensuring such disclosure is being properly made to you in compliance with the Investment Adviser Act of 1940, Rule 275.206.



## Aggregating Trade Orders

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Our objective in order execution is to act fairly, impartially, and to take all reasonable steps to obtain the best possible results (known as “best execution”) for our clients. Therefore, we will not bunch (aggregate) orders for a block trade unless: (i) the bunching of orders is done for the purpose of achieving best execution; and, (ii) no client is systematically advantaged or disadvantaged by bunching the orders.

In consideration of these objectives, we will take into account the unique execution factors of the buy/sell order before bunching accounts for a block trade. A few of those factors are:

- ❖ **Security Trading Volume** - Bunching orders in a block trade can secure price parity and continuity for our clients during heavy trading activity.
- ❖ **Number of Clients** - The fewer the number of client accounts involved in the bunched order may not yield better pricing or order execution; it may be more advantageous to perform an individual market order for each client. In addition preparing individual market orders, for the small number accounts involved, may be quicker to complete than preparing a bunch order.
- ❖ **Financial Instruments** - The type of security involved as well as the complexity of order can affect our ability to achieve best execution.

## Selection of Portfolio Managers

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We will make available a select group of Portfolio Managers from which you may choose to manage your account(s). We will assist you in determining which will provide the most effective financial growth based upon your stated investment objectives and risk tolerance level.

While we have exercised our best efforts evaluating the investment performance and cost of service offered by these Portfolio Managers, we make no representation that the Portfolio Manager in which we refer you has the best investment performance or has the lowest portfolio management costs. In addition, your selection of such Portfolio Managers will be limited to those with whom we have entered into service agreements. Therefore, it is possible that you might be able to contract for similar services elsewhere or separately, with higher performance at lower cost.

## REVIEW OF ACCOUNTS

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ITEM 13

### Portfolio Management Reviews

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Each account is reviewed on an ongoing basis by the supervised person assigned your account to ensure that your needs and objectives are being met. All accounts are reviewed in the context of your stated investment objectives and guidelines. Cash needs will be adjusted as necessary.

You will receive quarterly statements from Schwab and/or Merrill Lynch where your account(s) will be custodied. Each statement will summarize the specific investments currently held, the value of your portfolio and account transactions.

You are also encouraged to review with us investment strategies and account performance on an annual basis. Material changes in your personal circumstances, the general economy, or tax



law changes can trigger more frequent reviews. However, it is your responsibility to communicate these changes to us so that the appropriate adjustments can be made.

### Portfolio Monitoring Reviews

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Should your account be managed by a third-party money manager (“Portfolio Manager”), the supervised person assigned your account will continuously evaluate their performance. We understand your goals and tolerance for risk may change over time; therefore, **even though we are not involved in any way with the day to day management of your assets** maintained with a Portfolio Manager(s), your portfolio will be monitored and we will make recommendations to you regarding the Portfolio Manager(s) as market factors and your personal goals dictate.

### Financial Planning Reviews

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The financial planner who has/is designing your financial plan will work closely with you to be sure the action points identified in the financial plan have been or are being properly executed. Once the action points have been completed, the financial plan should be reviewed at least annually. Material changes in your lifestyle choices, personal circumstances, the general economy, or tax law changes can trigger more frequent reviews. However, **it is your responsibility to communicate these changes to us** so that the appropriate adjustments can be made.

## CLIENT REFERRALS & OTHER COMPENSATION

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ITEM 14

### Referral Compensation

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We do not receive any economic benefit from an independent party for managing any of our clients’ accounts. In addition, we do not compensate persons/firms for client referrals.

### Other Compensation (Indirect Benefit)

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The Company receives an indirect economic benefit from Schwab and Merrill Lynch (See “Custodial Services” above under Item 12, “**Brokerage Practices**” for more detailed information on these services and products could be.).

### Financial Planning Compensation

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Please be aware that when Investment Advisor Representatives (“RAs”) of the Company, recommend the purchase of insurance products, it is possible that the RA may be a commissioned insurance agent. This could create a potential conflict of interest, as there is some incentive to recommend only those products in which the RA will receive a commission. Consequently, the objectivity of the advice rendered to you could be subjective and create a disadvantage.

In addition, there are also potential conflicts of interest when an RA suggests the need for outside consultations and professional services (i.e., attorneys or accountants, etc.) to implement certain aspects of an estate or financial plan. Even though we do not share in any fees earned by the outside professionals when implementing an estate or financial plan, it does create an incentive on our part to refer your business to only those entities that in turn refer potential clients to us. This can eliminate the possibility for you to be referred to someone who may provide equivalent professional services, and possibly at a lower cost.



Therefore, to ensure you understand the full relationship of our RAs to any related persons and outside parties that they may refer business, as well as the choices and risks you have in receiving investment and financial planning services, the following disclosures are provided:

- ❖ You do not have to accept our recommendation to use Schwab and Merrill Lynch as the custodian. However, we may not be able to provide you complete institutional services if you elect to use another broker-dealer.
- ❖ Investments involve risk and some investment decisions will result in losses. You understand that we cannot guarantee that your investment objectives will be achieved by working with us.
- ❖ You are under no obligation to have any related parties that we recommend prepare planning documents (*i.e.*, estate, tax, etc...). You are free to choose those outside professionals to implement the recommendations made in the financial or estate plan.
- ❖ If requested by you to implement any insurance recommendations made in the financial plan, our RAs might execute such transactions through those insurance companies in which they are licensed insurance agents. In such cases, the RAs will receive the normal commissions associated with such insurance transactions.

Notwithstanding such potential conflicts of interest, our RAs strive to serve your best interest; as well as, ensuring such disclosure is being properly made to you in compliance with the Investment Adviser Act of 1940, Rule 275.206.

### Retirement Rollover Compensation

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Earning a management fee from recommending the rollover of retirement plan assets to an IRA we manage is considered “self-dealing” and prohibited unless we comply with the Prohibited Transaction Exemption (“PTE”) 2020-02, “Improving Investment Advice for Workers & Retirees” exemption issued by the Department of Labor. The DOL considers earning a management fee “self-dealing” because it increases our compensation and profits while potentially disregarding the underlying costs paid by, and the services provided under, the retirement plan that might be more beneficial to you should your retirement assets remain with the plan. Therefore, when it comes to your retirement assets, there are typically four options you should consider when leaving an employer:

- ❖ Leave the account assets in the former employer’s plan, if permitted.
- ❖ Rollover the assets to the new employer’s plan, if one is available and rollovers are permitted.
- ❖ Rollover the account assets to an Individual Retirement Account (an “IRA”); or,
- ❖ Cash out the retirement account assets (There may be tax consequences and/or IRS penalties depending on your age.).

Should you approach us to advise you on which option would be the best for your situation, we have an economic incentive to recommend you rollover your retirement account to a managed IRA account with us where we would earn a management fee on the assets. This can create a conflict of interest and the objectivity of the advice we render subjective and a disadvantage to you. Therefore, if we recommend you rollover your retirement account to an individually managed IRA account, you are under no obligation to engage us to manage your assets. You are free to take your account anywhere.



## CUSTODY

ITEM 15

### Management Fee Deduction

We do not take possession of or maintain custody of your funds or securities, but will simply monitor the holdings within your portfolio and trade your account based on your stated investment objectives and guidelines. Physical possession and custody of your funds and/or securities shall be maintained with either Schwab or Merrill Lynch as indicated above in Item 12, “**Brokerage Practices.**”

We are however defined as having custody since you have authorized us to deduct our advisory fees directly from your account. Therefore, to comply with the United States Securities and Exchange Commission’s Custody Rule (1940 Act Rule 206(4)-2) requirements, and to protect you as well as to protect our advisory practice, we have implemented the following regulatory safeguards:

- ❖ Your funds and securities will be maintained with a qualified custodian (Schwab or Merrill Lynch) in a separate account in your name.
- ❖ Authorization to withdrawal our management fees directly from your account will be approved by you prior to engaging in any portfolio management services.

In addition, both Schwab and Merrill Lynch are required by law to send you, at least quarterly, brokerage statements summarizing the specific investments currently held in your account, the value of your portfolio, and account transactions. **You are encouraged to compare the financial data contained in any report we may prepare for you with the financial information disclosed in your account statement from either Schwab or Merrill Lynch to verify the accuracy and correctness of our reporting.**

## INVESTMENT DISCRETION

ITEM 16

### Securities and Amount Bought or Sold

We execute an Investment Advisory Agreement with you, which set forth the authority to buy and sell securities in whatever amounts are determined to be appropriate for your account and whether such transactions are with, or without, your prior approval.

You may, at anytime, impose restrictions, **in writing**, on our discretionary authority (i.e., limit the types/amounts of particular securities purchased for your account, exclude the ability to purchase securities with an inverse relationship to the market, limit our use of leverage, etc.).

## VOTING CLIENT SECURITIES

ITEM 17

**We do not vote client proxies.** You understand and agree that you retain the right to vote all proxies, which are solicited for securities held in your managed accounts. Any proxy solicitations inadvertently received by us will be immediately forwarded to you for your evaluation and decision.



However, if you have specific questions regarding an action being solicited by the proxy that you do not understand, or you want clarification, you may contact us and we will explain the particulars. Keep in mind we will not advise you in a direction to vote, that ultimate decision will be left to you.

## FINANCIAL INFORMATION

ITEM 18

We are not required to include financial information in our Disclosure Brochure since we will not take custody of client funds or securities or bill client accounts six (6) months or more in advance for more than \$1,200.

We are not aware of any current financial conditions that are likely to impair our ability to meet our contractual commitments to you.

**END OF DISCLOSURE BROCHURE**