

# Oak Harbor Wealth Partners, LLC

## Form ADV Part 2A

### Investment Adviser Brochure

March 31, 2022

[www.oakharborwealthpartners.com](http://www.oakharborwealthpartners.com)

This brochure (the “**Brochure**”) provides information about the qualifications and business practices of Oak Harbor Wealth Partners, LLC (the “**Adviser**”). If you have any questions about the contents of this Brochure, please contact Paul B. Elam, Chief Compliance Officer, at 919-800-0705 and/or [pelam@oh-wp.com](mailto:pelam@oh-wp.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Registration as an investment advisor does not imply a certain level of skill or training.

Additional information about the Adviser is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You may search this site using a unique identifying number, known as a CRD number. Oak Harbor Wealth Partners, LLC’s CRD Number is 311528.

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## **Item 2: Summary of Material Changes**

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This Brochure is a document that the Adviser provides to its clients as required by SEC rules.

The purpose of Item 2 of the Brochure is to provide clients with a summary of any material changes made to this Brochure. The following sections have been updated since the last filing on December 23, 2021:

Item 4 – Assets Under Management

### **Full Brochure Available**

The Adviser's Form ADV may be requested at any time, without charge by contacting the Adviser at 919-800-0705 or [info@oh-wp.com](mailto:info@oh-wp.com).

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## Item 4: Advisory Business

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### Firm Description

Oak Harbor Wealth Partners, LLC, a North Carolina limited liability company, was formed in October 2020 and began operations in June 2021. The Adviser also does business as Sporting Wealth Partners. The Adviser provides financial and investment advisory services to individuals, including high net worth individuals, corporations, foundations, trusts, pension and profit-sharing plans, retirement plans and plan participants, and other entities.

Paul B. Elam, Chris B. Harrell, and William R. Hesmer, Jr. are the principal owners of the Adviser.

### Types of Advisory Services

The Adviser provides discretionary and non-discretionary investment advisory services, institutional consulting services, and financial planning and consulting services to its clients. The Adviser may provide financial planning and consulting services as a stand-alone service, or in conjunction with investment advisory services.

The Adviser also provides advisory services to retirement plans and plan participants.

At the outset of each client relationship, the Adviser spends time with the client, asking questions, discussing the client's investment experience and financial circumstances, tolerance for risk, and broadly identifying major goals of the client. Based on its reviews, the Adviser generally develops with each client:

- a financial outline for the client based on the client's financial circumstances, present needs, near-term and long-term goals, and the client's tolerance for risk (the "**Financial Profile**"); and
- the client's investment objectives and guidelines (the "**Investment Plan**").

The Financial Profile is a reflection of the client's current financial picture and a look to the future goals of the client. The Investment Plan outlines the types of investments the Adviser will make or recommend on behalf of the client based on the Adviser's own research and analysis in order to meet those goals. The Investment Plan generally includes investment management strategies designed to achieve the client's near-term and long-term goals while carefully managing the influence of risk on their success. The elements of the Financial Profile and the Investment Plan are discussed periodically with each client but are not necessarily written documents.

### Investment Advisory Services

#### *Portfolio Management*

As described above, the Adviser provides advice to portfolio management clients regarding

investment of client funds based on the Investment Plan, which will be updated from time to time when requested by the client or when determined to be necessary or advisable by the Adviser based on updates to the client's financial or other circumstances.

To implement the client's Investment Plan, the Adviser will manage the client's investment portfolio on a discretionary or a non-discretionary basis pursuant to an investment advisory agreement with the client. As a discretionary investment adviser, the Adviser will have the authority to supervise and direct the portfolio without prior consultation with the client. Clients who choose a non-discretionary arrangement must be contacted prior to the execution of any trade in the account(s) under management. This may result in a delay in executing recommended trades, which could adversely affect the performance of the portfolio. This delay also normally means the affected account(s) will not be able to participate in block trades, a practice designed to enhance the execution quality, timing and/or cost for all accounts included in the block. In a non-discretionary arrangement, the client retains the responsibility for the final decision on all actions taken with respect to the portfolio.

Notwithstanding the foregoing, clients may impose certain written restrictions on the Adviser in the management of their investment portfolios, such as prohibiting the inclusion of certain types of investments in an investment portfolio or prohibiting the sale of certain investments held in the account at the commencement of the relationship. Each client should note, however, that restrictions imposed by a client may adversely affect the composition and performance of the client's investment portfolio. Each client should also note that his or her investment portfolio is treated individually by giving consideration to each purchase or sale for the client's account. For these and other reasons, performance of client investment portfolios within the same investment objectives, goals and/or risk tolerance may differ and clients should not expect that the composition or performance of their investment portfolios would necessarily be consistent with similar clients of the Adviser.

#### *Separate Account Managers*

When appropriate and in accordance with the Investment Plan for a client, the Adviser may utilize one or more Separate Account Managers (each, a "**Manager**"). Having access to various Managers offers a wide variety of manager styles, and offers clients the opportunity to utilize more than one Manager if necessary to meet the needs and investment objectives of the client. The Adviser will usually select the Manager(s) it deems most appropriate for the client. Factors that the Adviser considers in recommending/selecting Managers generally includes the client's stated investment objective(s), management style, performance, risk level, reputation, financial strength, reporting, pricing, and research.

The Manager(s) will generally be granted discretionary trading authority to provide investment advisory services for the portfolio. Under most circumstances, the Adviser retains the authority to terminate the Manager's relationship or to add new Managers without specific client consent. In limited circumstances, the client will select one or more Managers recommended by the Adviser and enter into separate agreements with such

Managers. In any case, with respect to assets managed by a Manager, the Adviser's role will be to monitor the overall financial situation of the client, to monitor the investment approach and performance of the Manager(s), and to assist the client in understanding the investments of the portfolio.

### *Institutional Consulting*

The Adviser offers consulting services to institutional clients on a discretionary or non-discretionary basis and delivers fiduciary oversight and advice based on each client's specific objectives and constraints. At the outset of engagement, the Adviser will collect key data from the client, including spending requirements, cash flow expectations, liquidity requirements, comfort with volatility, legal constraints, or organizational cultural preferences, to assist in the development of an Investment Plan. The Adviser may also work with its clients' committees and professional staffs to assist in the development of the Investment Plan and investment policies that outline procedures for managing, monitoring, and overseeing the investments

In collaboration with fiduciaries in the design of the policies, a final document may include the following:

- Statement of mission, philosophy, and objectives;
- Roles and responsibilities for all parties;
- Benchmarks for each asset category;
- Permitted asset classes and types of investments;
- Definition of investment pools;
- Strategic asset allocation targets and ranges; and
- Review criteria for investment managers, including performance review, fees and reporting requirements.

For non-discretionary institutional clients, the Adviser monitors portfolios with the Investment Plan on a quarterly basis and provides clients with quarterly investment reports. For discretionary institutional clients, the Adviser utilizes portfolio management software to monitor the portfolio on a daily basis relative to the Adviser's internal ranges. If the portfolio moves outside of the ranges contained within the Investment Plan, the Adviser's portfolio management team is notified, and the account is typically rebalanced. In addition to internal controls, the Adviser's quarterly reporting tests compliance with the Investment Plan.

### *Financial Planning and Consulting*

The Adviser also offers financial planning and consulting services, as described below. These services may be provided as a stand-alone service or may be coupled with ongoing portfolio management.

Financial planning may include advice that addresses one or more areas of a client's financial situation, such as estate planning, risk management, budgeting and cash flow controls,

retirement planning, education funding, and investment portfolio design and ongoing management. Depending on a client's particular situation, financial planning and consulting may include some or all of the following:

- Gathering factual information concerning the client's personal and financial situation;
- Assisting the client in establishing financial goals and objectives;
- Analyzing the client's present situation and anticipated future activities in light of the client's financial goals and objectives;
- Identifying problems foreseen in the accomplishment of these financial goals and objectives and offering alternative solutions to the problems;
- Making recommendations to help achieve retirement plan goals and objectives;
- Designing an investment portfolio to help meet the goals and objectives of the client;
- Estate planning strategies;
- Assessing risk and reviewing basic health, life and disability insurance needs; or
- Reviewing goals and objectives and measuring progress toward these goals.

Once financial planning or consulting advice is given, the client may choose to have the Adviser implement the client's financial plan and manage the investment portfolio on an ongoing basis. However, the client is under no obligation to act upon any of the recommendations made by the Adviser under a financial planning engagement and/or engage the services of any recommended professional.

#### *Retirement Plan Consulting Services*

The Adviser may provide retirement plan consulting services to employee benefit plans and their fiduciaries based upon an analysis of the needs of the plans. In general, these services may include existing plan review, design of an investment policy statement, asset allocation advice, investment selection services, communication and education services, investment performance monitoring, and/or ongoing consulting.

#### *Services to Retirement and Pension Plan Participants*

The Adviser may also provide investment advice directly to plan participants, but only as a non-discretionary fiduciary. The Adviser provides participants with diversification strategies and recommendations, and the participants will have the sole responsibility to execute the transactions. In some cases, the Adviser may, after approval of the client, instruct the record-keeper or third party administrator to execute recommendations on the client's behalf.

From time to time, the Adviser will also meet with plan participants to provide general investment education, which may include basic information regarding insurance products, mutual funds, annuities, inflation, risk and diversification.

#### **Type and Value of Assets Currently Managed**

As of December 31, 2021, the Adviser has \$304,892,114 in assets under management on a

discretionary basis and \$242,919,657 in assets under management on a non-discretionary basis.

## **Item 5: Fees and Compensation**

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The Adviser bases its portfolio management fees on a percentage of assets under management. The Adviser's fees and other compensation are described below.

### **Portfolio Management Fees**

Portfolio management fees are individually negotiated with each client, are based on a percentage of assets under management, including cash, and are generally subject to a maximum fee of 1.50%, depending on the level of engagement. The actual fee charged to a particular client is disclosed in the investment advisory agreement entered into between the Adviser and each client. Factors considered in determining the fees charged generally include, but are not limited to: the complexity of the client's portfolio; assets to be placed under management; anticipated future assets; related accounts; portfolio style; account composition; or other special circumstances or requirements. This investment advisory fee generally is deducted directly from each client's account.

Clients pay the investment advisory fee quarterly in advance. If an account is opened after the start of a quarter, fees will be prorated accordingly. Subsequently, the quarterly advisory fee is based on the value of the assets in the account(s) on the last business day of the previous calendar quarter. If the investment advisory agreement is terminated before the end of the calendar quarter in which an advisory fee has been paid, the Adviser will provide a refund of the unearned advisory fee to the client based on the number of days in the quarter prior to the termination date.

In addition to the investment advisory fee, clients will incur brokerage and other transaction costs and certain expenses. The additional costs and expenses are imposed by companies other than the Adviser and may include, but may not be limited to, mutual fund and exchange-traded fund ("ETF") management fees and expenses, brokerage fees paid to clear transactions, mark-ups/mark-downs on fixed income trades, annual fees paid for custodial services, spreads paid to market makers, fees for trades executed away from the custodian, wire transfer fees and other fees and taxes on brokerage accounts and securities transactions.

The Adviser's brokerage practices are described below in *Item 12 - Brokerage Practices*.

### **Separate Account Manager Fees**

When one or more Managers are utilized, the Manager(s)' fees typically will be included in the portfolio management fees charged by the Adviser.

### **Institutional Consulting Fees**

Institutional consulting fees are individually negotiated with each client at the outset of



engagement and are typically subject to a \$2 million portfolio minimum and a maximum fee of 1.00% depending on the level of engagement. For institutional clients with assets below \$2 million, the Adviser may impose a minimum flat fee. The actual fee charged to a particular client is disclosed in the investment advisory agreement entered into between the Adviser and each client. Client facts, circumstances, and needs are considered in determining the applicable fees, which may affect the advisory fee charged to a particular client. These factors include but are not limited to the complexity of the client, assets to be placed under advisement, anticipated future additional assets; related accounts, portfolio style, account composition, reports, and maintaining discretionary or non-discretionary authority.

### **Financial Planning and Consulting Fees**

The Adviser generally charges an hourly or flat fee for financial planning and consulting components, which is negotiated at the time of the engagement for such services and is normally based on the scope of the engagement.

### **Retirement Plan Consulting Fees**

In connection with its retirement plan consulting services, the Adviser charges annual asset-based fees in accordance with the annual fees described above. Negotiated fees are generally based on the value of the plan's assets and the complexity of the plan. Fees are normally debited directly from client account(s), unless other arrangements are made. Fees charged for retirement plan consulting services may be charged in advance or arrears. Specific information regarding fee billing will be set forth in the investment advisory agreement between the client and the Adviser.

### **Services to Retirement and Pension Plan Participants Fees**

When the Adviser provides investment advice to plan participants as a non-discretionary fiduciary, these fees are negotiated with each plan participant at the time of the engagement for such services and are normally based on the scope of the engagement.

### **Other Compensation**

*Insurance Disclosure:* Certain employees of the Adviser are also licensed to sell insurance products. In providing financial planning and other related advisory services, these individuals may recommend the purchase of products under circumstances where they would be entitled to receive a commission or other compensation in the transaction. In all such circumstances, however, the client will be notified of this payment in advance of the transaction, and under no circumstances will the client pay both a commission to an employee of the Adviser for an insurance product and a management fee to the Adviser on the same pool of assets.

### **General Information on Compensation and Other Fees**

In certain circumstances, fees, account minimums, and payment terms are negotiable

depending on the client's unique situation – such as the size of the aggregate related party portfolio size, family holdings, low cost basis securities, or certain passively advised investments and pre-existing relationships with clients. Certain clients may pay more or less than others depending on the amount of assets, type of portfolio, or the time involved, the degree of responsibility assumed, complexity of the engagement, special skills needed to solve problems, the application of experience and knowledge of the client's situation.

All fees paid to the Adviser for investment advisory services are separate and distinct from mark-ups and mark-downs, spreads paid to market makers, fees for trades executed away from the custodian, wire transfer fees, and other fees and taxes on brokerage accounts and securities transactions. In addition, advisory fees are separate and distinct from the internal fees and expenses charged by mutual funds, ETFs, or other investment pools to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge.

A client could invest in a mutual fund directly, without the services of the Adviser. In that case, the client would not receive the services provided by the Adviser which are designed, among other things, to assist the client in determining which mutual funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and the fees charged by the Adviser to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

Clients should note that similar investment advisory services may (or may not) be available from other registered investment advisers for similar or lower fees.

## **Item 6: Performance-Based Fees and Side-by-Side Management**

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Neither the Adviser nor any of its officers or investment adviser representatives accepts performance-based fees. "Side by Side Management" refers to a situation in which the same firm manages accounts that are charged on a performance fee basis and at the same time manages accounts that are charged another type of fee, such as an hourly or flat fee or an asset-based fee. Because the Adviser has no performance-based fee accounts, it has no side-by-side management.

## **Item 7: Types of Clients**

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### **Types of Clients**

As described in *Item 4 – Advisory Business*, the Adviser provides investment advisory services to individuals, including high net worth individuals, corporations, foundations, trusts, pension and profit-sharing plans, retirement plans and plan participants, and other entities.

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

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### Methods of Analysis and Investment Strategies

The Adviser generally develops a customized investment strategy for each client based on the client's Investment Plan. The primary vehicles for investment used by the Adviser are individual equity and/or fixed income securities, mutual funds, ETFs, publicly-traded real estate investment trusts ("REITS"), private investment funds, alternative investments, closed-end funds, and options. Fixed-income portfolios may include any combination of individual bonds of municipal, other governmental and corporate entities, and mutual funds and ETFs that invest in fixed-income securities.

The Adviser uses the following methods of analysis in formulating investment advice and/or managing client assets:

**Fundamental Analysis** – involves review of the business and financial information about an issuer. Without limitation, the following factors generally will be considered:

- Financial strength ratios;
- Price-to-earnings ratios;
- Dividend yields; and
- Growth rate-to-price earnings ratios.

**Technical Analysis** – involves studying past price patterns and trends in the financial markets to predict the direction of both the overall market and specific stocks.

**Quantitative Analysis** – involves understanding and/or predicting behavior or events in the financial markets through the use of mathematical measurements and calculations, statistical modeling and research and may include, without limitation:

- Money flow analysis;
- Sentiment analysis; and
- Liquidity analysis.

**Charting Analysis** – involves gathering and processing price and volume information for a particular security and may include, without limitation:

- Mathematical analysis;
- Graphing charts; and
- Estimations of future price movements based on perceived patterns and trends.

**Cyclical Analysis** – involves evaluating recurring price patterns and trends.

Mutual funds and ETFs are generally evaluated and selected based on a variety of factors, including, as applicable and without limitation, portfolio management team philosophy, investment selection process, past adherence to stated process, past performance, internal fee structure, strength and reputation of fund sponsor, overall ratings for safety and returns, portfolio manager, consistency of performance, and other factors.

Fixed income investments may be used as a strategic investment, as an instrument to fulfill liquidity or income needs in a portfolio, or to add a component of capital preservation. The Adviser may evaluate and select individual bonds or bond funds based on a number of factors including, without limitation, rating, yield and duration.

## **Investment Strategies**

The Adviser's strategic approach is to invest each portfolio in accordance with the Investment Plan that has been developed specifically for each client. This means that the following strategies may be used in varying combinations over time for a given client, depending upon the client's individual circumstances:

*Long-Term Purchases* – securities purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.

*Short-Term Purchases* – securities purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short term price fluctuations.

*Short Sales* – a securities transaction in which an investor sells securities he or she borrowed in anticipation of a price decline. The investor is then required to return an equal number of shares at some point in the future. A short seller will profit if the stock goes down in price.

*Margin Transactions* – a securities transaction in which an investor borrows money to purchase a security, in which case the security serves as collateral on the loan.

*Trading* – generally considered holding a security for less than thirty (30) days.

*Options Trading/Writing* – a securities transaction that involves buying or selling (writing) an option. If you write an option, and the buyer exercises the option, you are obligated to purchase or deliver a specified number of shares at a specified price at the exercise of the option regardless of the market value of the security at expiration of the option. Buying an option gives you the right to purchase or sell a specified number of shares at a specified price until the date of expiration of the option regardless of the market value of the security at expiration of the option.

## **Risk of Loss**

While the Adviser seeks to diversify clients' investment portfolios across various asset

classes consistent with their Investment Plans in an effort to reduce risk of loss, all investment portfolios are subject to risks. Accordingly, there can be no assurance that client investment portfolios will be able to fully meet their investment objectives and goals, or that investments will not lose money.

Below is a description of several of the principal risks that client investment portfolios face.

*Economic Conditions.* Changes in economic conditions, including, for example, interest rates, inflation rates, employment conditions, competition, technological developments, political and diplomatic events and trends, and tax laws may adversely affect the business prospects or perceived prospects of companies. While the Adviser or a Manager performs due diligence on the companies in whose securities it invests, economic conditions are not within the control of the Adviser or the Manager and no assurances can be given that the Adviser or the Manager will anticipate adverse developments.

*Risks of Investments in Mutual Funds, ETFs, Closed-End Funds, and Other Investment Pools.* As described above, the Adviser and any Managers may invest client portfolios in mutual funds, ETFs, closed-end funds, and other investment pools ("**pooled investment funds**"). Investments in pooled investment funds are generally less risky than investing in individual securities because of their diversified portfolios; however, these investments are still subject to risks associated with the markets in which they invest. In addition, pooled investment funds' success will be related to the skills of their particular managers and their performance in managing their funds. Pooled investment funds are also subject to risks due to regulatory restrictions applicable to registered investment companies under the Investment Company Act of 1940, as amended.

*Risks Related to Alternative Investment Vehicles.* From time to time and as appropriate, the Adviser and any Managers may invest a portion of a client's portfolio in alternative vehicles. The value of client portfolios will be based in part on the value of alternative investment vehicles in which they are invested, the success of each of which will depend heavily upon the efforts of their respective managers. When the investment objectives and strategies of a manager are out of favor in the market or a manager makes unsuccessful investment decisions, the alternative investment vehicles managed by the manager may lose money. A client account may lose a substantial percentage of its value if the investment objectives and strategies of many or most of the alternative investment vehicles in which it is invested are out of favor at the same time, or many or most of the managers make unsuccessful investment decisions at the same time.

*Equity Market Risks.* The Adviser and any Managers will generally invest portions of client assets directly into equity investments, primarily stocks, or into pooled investment funds that invest in the stock market. As noted above, while pooled investment funds have diversified portfolios that may make them less risky than investments in individual securities, funds that invest in stocks and other equity securities are nevertheless subject to the risks of the stock market. These risks include, without limitation, the risks that stock values will decline due to daily fluctuations in the markets, and that stock values will decline over longer periods (*e.g.*, bear markets) due to general market declines in the stock

prices for all companies, regardless of any individual security's prospects.

*Fixed Income Risks.* The Adviser and any Managers may invest portions of client assets directly into fixed income instruments, such as bonds and notes, or may invest in pooled investment funds that invest in bonds and notes. While investing in fixed income instruments, either directly or through pooled investment funds, is generally less volatile than investing in stock (equity) markets, fixed income investments nevertheless are subject to risks. These risks include, without limitation, interest rate risks (risks that changes in interest rates will devalue the investments), credit risks (risks of default by borrowers), or maturity risk (risks that bonds or notes will change value from the time of issuance to maturity).

*REIT Risks.* The Adviser and any Managers may invest portions of client assets into REITs that are publicly traded corporations or trusts that invest in, and/or operate, residential or commercial real estate. REITs are susceptible to the risks associated with direct ownership of real estate, such as the following: declines in property values; increases in property taxes, operating expenses, interest rates or competition; overbuilding; zoning changes; and losses from casualty or condemnation.

*Short Sales.* The Adviser or a Manager, on behalf of its clients, may from time to time sell securities short in anticipation of the realization of a gain if the securities sold short should decline in market value. A short sale is affected by selling a security that the client does not own, or selling a security which the client owns but which it does not deliver upon consummation of the sale. In order to make delivery to the buyer of a security sold short, the client must borrow the security. In so doing, it incurs the obligation to replace that security, whatever its price may be, at the time it is required to deliver it to the lender. The client must also pay to the lender of the security any dividends or interest payable on the security during the borrowing period and may have to pay a premium to borrow the security. This obligation must, unless the client then owns or has the right to obtain, without payment, securities identical to those sold short, be collateralized by a deposit of cash and/or marketable securities with the lender. A short sale of a security involves the risk of a theoretically unlimited increase in the market price of the security, which could result in an inability to cover the short position and a theoretically unlimited loss to the client.

*Structured Products Risks.* The Adviser and any Managers may invest portions of client assets into structured products, which are potentially high-risk derivatives. For example, a structured product may combine a traditional stock, bond, or commodity with an option or forward contract. Generally, the principal amount, amount payable upon maturity or redemption, or interest rate of a structured product is tied to the price of some commodity, currency or securities index or another interest rate or some other economic factor. The interest rate or the principal amount payable at maturity of a structured product may be increased or decreased, depending on changes in the value of the benchmark. Holders of structured products bear risks of the underlying investments, index or reference obligation and are subject to credit, counterparty, debt, and interest rate risks. Also, certain structured products may be thinly traded or have a limited trading market.

*Foreign Securities Risks.* The Adviser and any Managers may invest portions of client assets into pooled investment funds that invest internationally. While foreign investments are important to the diversification of client investment portfolios, they carry risks that may be different from U.S. investments. For example, foreign investments may not be subject to uniform audit, financial reporting or disclosure standards, practices or requirements comparable to those found in the U.S. Foreign investments are also subject to foreign withholding taxes and the risk of adverse changes in investment or exchange control regulations. Finally, foreign investments may involve currency risk, which is the risk that the value of the foreign security will decrease due to changes in the relative value of the U.S. dollar and the security's underlying foreign currency.

*Emerging Markets Investments.* The Adviser and any Managers may invest portions of client assets directly and indirectly in emerging market equity and fixed-income securities. Emerging market countries may include, among others, countries in Asia, Latin, Central and South America, Eastern Europe, the Middle East and Africa. In addition to the general risk of investing in foreign securities described above, investing in emerging markets can involve greater and more unique risks than those associated with investing in more developed markets. The securities markets of emerging countries are generally small, less developed, less liquid, and more volatile than securities markets of the United States and other developed markets. The risks of investing in emerging markets include greater social, political and economic uncertainties. Emerging market economies are often dependent upon a few commodities or natural resources that may be significantly adversely affected by volatile price movements against those commodities or natural resources. Emerging market countries may experience high levels of inflation and currency devaluation and have fewer potential buyers for investments. The securities markets and legal systems in emerging market countries may only be in a developmental stage and may provide few, or none, of the advantages and protections of markets or legal systems in more developed countries. Some of these countries may have in the past failed to recognize private property rights and have at times nationalized or expropriated the assets of private companies. Additionally, if settlements do not keep pace with the volume of securities transactions, they may be delayed, potentially causing a client's assets to be uninvested, to miss investment opportunities and potential returns, and/or to be unable to sell an investment. As a result of these various risks, investments in emerging markets are considered to be speculative and may be highly volatile.

*Covered and Uncovered Calls and Puts Risks.* The Adviser and any Managers, on behalf of its clients, may purchase or write (sell) covered and uncovered (*i.e.*, naked) call and put options on securities, indexes or currencies. The Adviser or Manager may purchase call options for investment purposes when it is anticipated that the price of the underlying security or currency will rise. The Adviser or a Manager may also purchase put options for investment purposes when it is anticipated that the price of the underlying security or currency will decline.

If the Adviser or a Manager writes a covered call option on behalf of a client account, the client account will either own the security or currency subject to the option or own an option to purchase the same underlying security or currency having an exercise price equal

to or less than the exercise price of the “covered” option. When writing a covered call option, the client account, in return for the premium, gives up the opportunity for profit from a price increase in the underlying security or currency above the exercise price, but conversely retains the risk of loss should the price of the security or currency decline. If the Adviser or a Manager writes a covered put option on behalf of a client account, the client account will maintain sufficient liquid assets to purchase the underlying security or currency if the option is exercised, in an amount not less than the exercise price. The risk in such a transaction would be that the market price of the underlying security or currency would decline below the exercise price, less the premiums received. Such a decline could be substantial and result in a significant loss to client accounts.

Writers of naked call options are obligated to deliver shares of the underlying stock if those call options are exercised. If the Adviser or a Manager writes a naked call option on behalf of a client account, the account risks unlimited losses if the price of the underlying stock rises. If the Adviser or a Manager writes a naked put option on behalf of a client account, the account risks unlimited losses if the price of the underlying stock drops. In addition, writers of naked positions run margin risks if the position goes into significant losses, including liquidation by the broker.

To the extent the Adviser or a Manager acquires options that it does not exercise, it suffers the loss of the premium paid to the writer in connection with such purchase, and any gain or loss derived from the exercise of an option or other liquidation of an option is reduced or increased, respectively, by the amount of the premium paid. Closing transactions will be effected in order to realize a profit on an outstanding call option, to prevent an underlying security or currency from being called, or to permit the sale of the underlying security or currency. There is, of course, no assurance that the Adviser or a Manager will be able to effect such closing transactions at favorable prices. If the Adviser or a Manager cannot enter into such a transaction on behalf of client accounts, client accounts may be required to hold a security or currency that is depreciating in value that otherwise might have sold.

*Private Investment Funds.* Private investment funds, including private equity funds and hedge funds, are not suitable for all investors and involve a high degree of risk due to several factors that may contribute to above average gains or significant losses. Such factors include leveraging or other speculative investment practices, commodity trading, complex tax structures, a lack of transparency in the underlying investments, and generally the absence of a secondary market.

*Lack of Diversification.* Client accounts may not have a diversified portfolio of investments at any given time, and a substantial loss with respect to any particular investment in an undiversified portfolio will have a substantial negative impact on the aggregate value of the portfolio.

## **Item 9: Disciplinary Information**

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Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client’s evaluation of the Adviser or



the integrity of the Adviser's management. The Adviser has no disciplinary events to report.

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

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Certain employees of the Adviser are also licensed to sell insurance products. As such, these employees are entitled to receive commissions or other remuneration on the sale of insurance and other products. In order to protect client interests, the Adviser's policy is to fully disclose all forms of compensation before any such transaction is executed. Clients are not obligated, contractually or otherwise, to use the services of these insurance agents for insurance products. Please see *Item 5 – Fees and Compensation* for more information.

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

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### **Code of Ethics and Personal Trading**

The Adviser has adopted a Code of Ethics (the “**Code**”), the full text of which is available to you upon request. The Adviser's Code has several goals. First, the Code is designed to assist the Adviser in complying with applicable laws and regulations governing its investment advisory business. Under the Investment Advisers Act of 1940, as amended, the Adviser owes fiduciary duties to its clients. Pursuant to these fiduciary duties, the Code requires Adviser associated persons to act with honesty, good faith and fair dealing in working with clients. In addition, the Code prohibits associated persons from trading or otherwise acting on insider information.

Next, the Code sets forth guidelines for professional standards for the Adviser's associated persons (managers, officers and employees). Under the Code's Professional Standards, the Adviser expects its associated persons to put the interests of its clients first, ahead of personal interests. In this regard, Adviser associated persons are not to take inappropriate advantage of their positions in relation to Adviser clients.

Third, the Code sets forth policies and procedures to monitor and review the personal trading activities of associated persons. From time to time, the Adviser's associated persons may invest in the same securities recommended to clients. This may create a conflict of interest because associated persons of the Adviser may invest in securities ahead of or to the exclusion of the Adviser clients. Under its Code, the Adviser has adopted procedures designed to reduce or eliminate conflicts of interest that this could potentially cause. The Code's personal trading policies include procedures for limitations on personal securities transactions of associated persons, including generally disallowing trading by an associated person in any security within a proscribed period of time before any client account trades or considers trading the same security and the creation of a restricted securities list, reporting and review of personal trading activities and pre-clearance of certain types of personal trading activities. These policies are designed to discourage and prohibit personal trading that would disadvantage clients. The Code also provides for disciplinary action as appropriate for violations.

## Participation or Interest in Client Transactions

As outlined above, the Adviser has adopted procedures to protect client interests when its associated persons invest in the same securities as those selected for or recommended to clients. In the event of any identified potential trading conflicts of interest, the Adviser's goal is to place client interests first.

Consistent with the foregoing, the Adviser maintains policies regarding participation in initial public offerings ("IPOs") and private placements in order to comply with applicable laws and avoid conflicts with client transactions. If an associated person wishes to participate in an IPO or invest in a private placement, he/she must submit a pre-clearance request and obtain the approval of the Chief Compliance Officer.

If associated persons trade with client accounts (*e.g.*, in a bundled or aggregated trade), and the trade is not filled in its entirety, the shares will be allocated among client accounts in accordance with the Adviser's written policy.

## Item 12: Brokerage Practices

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### Best Execution and Benefits of Brokerage Selection

When given discretion to select the brokerage firm that will execute orders in client accounts, the Adviser seeks "best execution" for client trades, which is a combination of a number of factors, including, without limitation, quality of execution, services provided and commission rates. Therefore, the Adviser may use or recommend the use of brokers who do not charge the lowest available commission in the recognition of research and securities transaction services, or quality of execution. Research services received with transactions may include proprietary or third party research (or any combination), and may be used in servicing any or all of the Adviser's clients. Therefore, research services received may not be used for the account for which the particular transaction was effected.

The Adviser may recommend that clients establish brokerage accounts with Raymond James & Associates, Inc. ("**Raymond James**"), a FINRA registered broker-dealer, member SIPC, to maintain custody of clients' assets. The Adviser may effect trades for client accounts at Raymond James, or may in some instances, consistent with the Adviser's duty of best execution and specific investment advisory agreement with each client, elect to execute trades elsewhere. Although the Adviser may recommend that clients establish accounts at Raymond James, it is ultimately the client's decision to custody assets with Raymond James. The Adviser is independently owned and operated and is not affiliated with Raymond James.

The Adviser participates in the Raymond James service program. While there is no direct link between the investment advice the Adviser provides and participation in the Raymond James program, the Adviser receives certain economic benefits from the Raymond James program. These benefits may include software and other technology that provides access to client account data (such as trade confirmations and account statements), facilitates trade execution (and allocation of aggregated orders for multiple client accounts), provides research, pricing information and other market data, facilitates the payment of the Adviser's

fees from its clients' accounts, and assists with back-office functions, recordkeeping and client reporting. Many of these services may be used to service all or a substantial number of the Adviser's accounts, including accounts not held at Raymond James. Raymond James may also make available to the Adviser other services intended to help the Adviser manage and further develop its business. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance and marketing. In addition, Raymond James may make available, arrange and/or pay for these types of services to be rendered to the Adviser by independent third parties. Raymond James may discount or waive fees it would otherwise charge for some of these services, pay all or a part of the fees of a third-party providing these services to the Adviser, and/or Raymond James may pay for travel expenses relating to participation in such training. Finally, participation in the Raymond James program provides the Adviser with access to mutual funds which normally require significantly higher minimum initial investments or are normally available only to institutional investors.

The benefits received through participation in the Raymond James program do not necessarily depend upon the proportion of transactions directed to Raymond James. The benefits are received by the Adviser, in part because of commission revenue generated for Raymond James by the Adviser's clients. This means that the investment activity in client accounts is beneficial to the Adviser, because Raymond does not assess a fee to the Adviser for these services. This creates an incentive for the Adviser to continue to recommend Raymond to its clients. While it may be possible to obtain similar custodial, execution and other services elsewhere at a lower cost, the Adviser believes that Raymond provides an excellent combination of these services. These services are not soft dollar arrangements, but are part of the institutional platform offered by Raymond James.

### **Directed Brokerage**

Clients may direct the Adviser to use a particular broker for custodial or transaction services on behalf of the client's portfolio. In directed brokerage arrangements, the client is responsible for negotiating the commission rates and other fees to be paid to the broker. Accordingly, a client who directs brokerage should consider whether such designation may result in certain costs or disadvantages to the client, either because the client may pay higher commissions or obtain less favorable execution, or the designation limits the investment options available to the client.

The arrangement that the Adviser has with Raymond James is designed to maximize efficiency and to be cost effective. By directing brokerage arrangements, the client acknowledges that these economies of scale and levels of efficiency are generally compromised when alternative brokers are used. While every effort is made to treat clients fairly over time, the fact that a client chooses to use the brokerage and/or custodial services of these alternative service providers may in fact result in a certain degree of delay in executing trades for their account(s) and otherwise adversely affect management of their account(s).

By directing the Adviser to use a specific broker or dealer, clients who are subject to ERISA

confirm and agree with the Adviser that they have the authority to make the direction, that there are no provisions in any client or plan document which are inconsistent with the direction, that the brokerage and other goods and services provided by the broker or dealer through the brokerage transactions are provided solely to and for the benefit of the client's plan, plan participants and their beneficiaries, that the amount paid for the brokerage and other services have been determined by the client and the plan to be reasonable, that any expenses paid by the broker on behalf of the plan are expenses that the plan would otherwise be obligated to pay, and that the specific broker or dealer is not a party in interest of the client or the plan as defined under applicable ERISA regulations.

### **Aggregated Trade Policy**

The Adviser enters trades as a block where possible and when advantageous to clients whose accounts have a need to buy or sell shares of the same security. This blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts, so long as transaction costs are shared equally and on a *pro rata* basis between all accounts included in any such block. Block trading allows the Adviser to execute equity trades in a timelier, equitable manner, and may reduce overall costs to clients.

The Adviser will only aggregate transactions when it believes that aggregation is consistent with its duty to seek best execution (which includes the duty to seek best price) for its clients, and is consistent with the terms of the Adviser's investment advisory agreement with each client for which trades are being aggregated. No advisory client will be favored over any other client; each client that participates in an aggregated order will participate at the average share price for all of the Adviser's transactions in a given security on a given business day, with transaction costs generally shared *pro rata* based on each client's participation in the transaction. On occasion, owing to the size of a particular account's *pro rata* share of an order or other factors, the commission or transaction fee charged could be above or below a breakpoint in a pre-determined commission or fee schedule set by the executing broker, and therefore transaction charges may vary slightly among accounts. Accounts may be excluded from a block due to tax considerations, client direction or other factors making the account's participation ineligible or impractical.

The Adviser will prepare, before entering an aggregated order, a written statement ("**Allocation Statement**") specifying the participating client accounts and how it intends to allocate the order among those clients. If the aggregated order is filled in its entirety, it will be allocated among clients in accordance with the Allocation Statement. If the order is partially filled, it will generally be allocated *pro rata*, based on the Allocation Statement, or randomly in certain circumstances. Notwithstanding the foregoing, the order may be allocated on a basis different from that specified in the Allocation Statement if all client accounts receive fair and equitable treatment over time, and the reason for different allocation is explained in writing and is approved by an appropriate individual/officer of the Adviser. The Adviser's books and records will separately reflect, for each client account included in a block trade, the securities held by and bought and sold for that account. Funds and securities of clients whose orders are aggregated will be deposited with one or more

banks or broker-dealers, and neither the clients' cash nor their securities will be held collectively any longer than is necessary to settle the transaction on a delivery versus payment basis; cash or securities held collectively for clients will be delivered out to the custodian bank or broker-dealer as soon as practicable following the settlement, and the Adviser will receive no additional compensation or remuneration of any kind as a result of the proposed aggregation.

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

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### **Reviews**

Managed portfolios are reviewed periodically and may be reviewed more often if requested by the client, upon receipt of information material to the management of the portfolio, or at any time such review is deemed necessary or advisable by the Adviser. These factors may include, but are not limited to, the following: change in general client circumstances (*e.g.*, marriage, divorce, retirement); or economic, political or market conditions. One of the Adviser's investment adviser representatives or principals is responsible for reviewing all accounts.

### **Reporting**

Account custodians are responsible for providing monthly or quarterly account statements which reflect individual holdings, cost basis information, deposits and withdrawals, accrued income, dividends, and performance, as well as fees paid from an account. Account custodians also provide prompt confirmation of all trading activity, and year-end tax statements, such as 1099 forms. The Adviser will provide additional written reports as needed or requested by the client. Clients should carefully compare the statements that they receive from the Adviser against the statements that they receive from their account custodian(s).

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

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As noted above, the Adviser may receive some benefits from Raymond James based on the amount of client assets held at Raymond James. Please see *Item 12 - Brokerage Practices* for more information. However, neither Raymond James nor any other party is paid to refer clients to the Adviser.

Certain employees of the Adviser are also licensed to sell insurance products. In providing investment advisory and financial planning components, these individuals may recommend the purchase of products under circumstances where they would be entitled to receive a commission or other compensation in the transaction. Please see *Item 5 - Fees and Compensation* for more information.

## **Item 15: Custody**

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Raymond James is the custodian of the majority of client accounts at the Adviser. From

time to time however, clients may select an alternate broker to hold accounts in custody. In any case, it is the custodian's responsibility to provide clients with confirmations of trading activity, tax forms and at least quarterly account statements. Clients are advised to review this information carefully, and to notify the Adviser of any questions or concerns. Clients are also asked to promptly notify the Adviser if the custodian fails to provide statements on each account held.

From time to time and in accordance with the Adviser's investment advisory agreement with clients, the Adviser will provide additional reports. As mentioned above, the account balances reflected on these reports should be compared to the balances shown on the brokerage statements to ensure accuracy. At times there may be small differences due to the timing of dividend reporting, pending trades or other similar issues.

The Adviser may be deemed to have "soft" custody of its client accounts because the Adviser's portfolio management fees are normally debited directly from client account(s), unless other arrangements are made.

## **Item 16: Investment Discretion**

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### **Discretionary Authority for Trading and Limited Power of Attorney**

As described in *Item 4 - Advisory Business*, the Adviser will accept clients on either a discretionary or non-discretionary basis. For *discretionary accounts*, a Limited Power of Attorney ("LPOA") is executed by the client, giving the Adviser the authority to carry out various activities in the account, generally including the following: (i) trade execution; (ii) the ability to request checks on behalf of the client; and (iii) the withdrawal of advisory fees directly from the account. The Adviser then directs investment of the client's portfolio using its discretionary authority. The client may limit the terms of the LPOA to the extent consistent with the client's investment advisory agreement with the Adviser and the requirements of the client's custodian.

### **Non-Discretionary Authority**

For *non-discretionary accounts*, the client may also execute an LPOA, which allows the Adviser to carry out trade recommendations and approved actions in the portfolio. However, in accordance with the investment advisory agreement between the Adviser and the client, the Adviser does not implement trading recommendations or other actions in the account unless and until the client has approved the recommendation or action. As with discretionary accounts, clients may limit the terms of the LPOA, subject to the Adviser's investment advisory agreement with the client and the requirements of the client's custodian.

## **Item 17: Voting Client Securities**

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The Adviser will not accept authority to vote client securities. The custodian of the client's assets will send all proxies directly to the client, so that the client may vote the

proxies. Clients may contact the Adviser with questions relating to proxy procedures and proposals; however, the Adviser generally does not research particular proxy proposals.

## **Item 18: Financial Information**

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The Adviser has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and has not been the subject of a bankruptcy proceeding.

The Adviser does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance; and therefore, is not required to provide a balance sheet to clients.