

**Item 1 - Cover Page**

**MGB Wealth Management, LLC**  
**CRD# 307995**

15455 Dallas Parkway  
Suite 1080  
Addison, TX 75001

469-965-4001

**March 19, 2024 Brochure**

This brochure (“Brochure”) provides information about the qualifications and business practices of MGB Wealth Management, LLC (the “Adviser”). If you have any questions about the contents of this Brochure, please contact the Adviser at 469-965-4001 or [mgb@mgbwealth.com](mailto:mgb@mgbwealth.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state authority.

Additional information about the Adviser also is available on the SEC’s website at [\*\*www.AdviserInfo.sec.gov\*\*](http://www.AdviserInfo.sec.gov).

## **Item 2 - Material Changes**

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

The purpose of Item 2 of the Brochure is to provide clients with a summary of any material changes made to this Brochure.

Since the previous annual amendment filing on March 30, 2023, the Adviser has made no material changes to this Brochure.

The Adviser will provide clients with a new Brochure as necessary based on changes, new information, or at a client's request, at any time, without charge.

**Item 3 - Table of Contents**

**Page**

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

## **Item 4 - Advisory Business**

### General Information

The Adviser, a Texas limited liability company, was formed in February 2020.

### Advisory Services

The Adviser provides discretionary and non-discretionary portfolio management as well as financial planning services to individuals, including high net worth individuals, corporations, foundations, retirement and pension plan participants, and other entities.

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.

### *Portfolio Management*

As described above, the Adviser will develop an Investment Plan with each portfolio management client. The Investment Plan 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.

### *Financial Planning*

The Adviser generally provides financial planning services to those clients in need of such services in conjunction with portfolio management services. The Adviser's financial planning services normally address areas such as general cash flow planning, retirement planning, and insurance analysis. The goal of these services is to assess the financial circumstances of the client in order to more effectively develop the client's Investment Plan. Financial planning services are not offered as stand-alone services or for separate fees but are typically provided to clients in conjunction with the management of the portfolio.

### *Sub-Advisers*

When appropriate and in accordance with the Investment Plan for a client, the Adviser may utilize one or more sub-advisers (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 select the Manager(s) it deems most appropriate for the client. Factors that the Adviser considers in 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 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.

### Principal Owners

Mr. Michael Bailey is the principal owner of the Adviser.

### Type and Value of Assets Currently Managed

As of December 31, 2023, the Adviser managed approximately \$287,596,844 on a discretionary basis and \$22,863,742 on a non-discretionary basis.

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

### General Fee Information

Fees paid to the Adviser are exclusive of all custodial and transaction costs paid to the client's custodian, brokers, or other third-party consultants. Please see *Item 12 - Brokerage Practices* for additional information. Fees paid to the Adviser are also separate and distinct from the internal fees and expenses charged by mutual funds, exchange traded funds ("ETFs") or other investment pools to their shareholders (generally including a management fee and fund expenses, as described in each fund's prospectus or offering materials), 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. The client should review all fees charged

by funds, brokers, the Adviser and others to fully understand the total amount of fees paid by the client for investment and financial-related services.

#### *Portfolio Management Fees*

Portfolio management fees are individually negotiated with each client, are based on a percentage of assets under management, and are generally subject to a maximum fee of 1.75%, depending on the level of engagement. The specific advisory fees will be identified in the investment advisory agreement between the client and the Adviser. The minimum portfolio value is generally set at \$1 million. The Adviser may, in its discretion, make exceptions to the foregoing or negotiate special fee arrangements where the Adviser deems it appropriate under the circumstances.

Portfolio management fees are generally payable monthly, in advance. If management begins after the start of a month, fees will be prorated accordingly. Fees are normally debited directly from client account(s), unless other arrangements are made.

Either the Adviser or the client may terminate their investment advisory agreement at any time, subject to any written notice requirements in the investment advisory agreement. In the event of termination, any paid but unearned fees will be promptly refunded to the client based on the number of days that the account was managed, and any fees due to the Adviser from the client will be invoiced or deducted from the client's account prior to termination.

#### *Financial Planning Fees*

When the Adviser provides financial planning services to clients, these fees will be included in the portfolio management fees. The Adviser generally does not provide financial planning services on a stand-alone basis.

#### *Sub-Adviser Fees*

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

#### 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.

*Broker Disclosure:* An employee of the Adviser is also a Registered Representative of Cabot Lodge Securities, LLC ("Cabot Lodge"), a FINRA and SIPC member and registered broker-dealer. However, such employee has no clients or accounts with Cabot Lodge and therefore receives no brokerage commissions. Accordingly, this does not create a conflict of interest with respect to the Adviser's clients.

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

The Adviser does not have any performance-based fee arrangements. "Side-by-Side Management" refers to a situation in which the same firm manages accounts that are billed based on a percentage of assets under management and at the same time manages other accounts for which fees are

assessed on a performance fee basis. Because the Adviser has no performance-based fee accounts, it has no side-by-side management.

### **Item 7 - Types of Clients**

The Adviser serves individuals, including high net worth individuals, corporations, foundations, retirement and pension plan participants, and other entities.

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

#### Methods of Analysis

The Adviser reviews each client's Investment Plan and develops a customized investment strategy for each client. The primary vehicles for investment used by the Adviser are ETFs, mutual funds, common stocks, fixed income securities and structured products.

In selecting investments for an individual account in accordance with the client's Investment Plan, the Adviser may use any of the following types of analysis or a blend of these types of analysis:

**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.

ETFs and mutual funds 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.

*Management Risks.* While the Adviser manages client investment portfolios or selects one or more Managers based on the Adviser's experience, research and proprietary methods, the value of client investment portfolios will change daily based on the performance of the underlying securities in



which they are invested. Accordingly, client investment portfolios are subject to the risk that the Adviser or a Manager allocates assets to asset classes that are adversely affected by unanticipated market movements, and the risk that the Adviser's or a Manager's specific investment choices could underperform their relevant indexes.

*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 and Other Investment Pools.* As described above, the Adviser and any Managers may invest client portfolios in mutual funds, ETFs 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).

*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 economics 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 Calls and Puts Risks.* The Adviser and any Managers, on behalf of its clients, may purchase or write (sell) "covered" 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.

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.

*Options Transactions.* The Adviser and any Managers may purchase or sell (write) options, which involves the payment or receipt of a premium payment and the corresponding right or obligation to either purchase or sell the underlying security or other instrument for a specific price at a certain time or during a certain period. Purchasing options involves the risk that the underlying instrument does not change price in the manner expected, so that either the option expires worthless and the investor loses its entire investment in the option, or the option is later sold at a substantial loss.

Although an option buyer's risk is generally limited to the cost of its purchase of the option, an investment in an option may be subject to greater fluctuation than an investment in underlying stocks. The risk for a writer of a put option is that the price of underlying stocks may fall below the exercise price. Over-the-counter options also involve counterparty solvency risk.

*Private Investments.* Private investments 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**

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**

### Insurance Agents

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.

### Registered Representatives

An employee of the Adviser is also a Registered Representative of Cabot Lodge, a FINRA and SIPC member and registered broker-dealer. However, such employee has no clients or accounts and therefore receives no brokerage commissions. Accordingly, this does not create a conflict of interest with respect to the Adviser's clients. Please see *Item 5 – Fees and Compensation* for more information.

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

### 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 the accounts pro rata in accordance with the Adviser's written policy.

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

#### 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 may enter 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 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**

Managed portfolios are reviewed periodically and may be reviewed 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.

Account custodians are responsible for providing monthly or quarterly account statements which reflect the positions (and current pricing) in each account as well as transactions in each account, including 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**

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 nor any other party is paid to refer clients to the Adviser.

Certain employees of the Adviser are also licensed to sell insurance products. These employees will earn commission-based compensation for selling insurance products, including insurance products sold to clients of the Adviser. Insurance commissions earned by employees of the Adviser are separate from the Adviser's advisory fees. Please see *Item 5 - Fees and Compensation* for more information.

An employee of the Adviser is also a Registered Representative of Cabot Lodge, a FINRA and SIPC member and registered broker-dealer. However, such employee has no clients or accounts with Cabot Lodge and therefore receives no brokerage commissions. Accordingly, this does not create a conflict of interest with respect to the Adviser's clients. Please see *Item 5 - Fees and Compensation* for more information.

### **Item 15 - Custody**

Raymond James is the custodian of nearly all 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**

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.

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**

As a policy and in accordance with the Adviser’s investment advisory agreement, the Adviser does not vote proxies related to securities held in client accounts. The custodian of the account will normally provide proxy materials directly to the client. 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**

The Adviser does not require nor solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, and therefore has no disclosure with respect to this item.