

# Brown Financial Management Group, LLC

**ADV Part 2A, Firm Brochure**  
**Dated: February 26, 2019**

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This brochure provides information about the qualifications and business practices of Brown Financial Management Group, LLC. If you have any questions about the contents of this brochure, please contact us at 518-464-9974 or [tom@thomasjbrown.com](mailto:tom@thomasjbrown.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.

Additional information about Thomas James Brown also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

References herein to Brown Financial Management Group, LLC as a "registered investment adviser" or any reference to being "registered" does not imply a certain level of skill or training

## Item 2 Material Changes

There have been no material changes made to Registrant's disclosure statement since last year's Annual Amendment filing on February 26, 2018.

**ANY QUESTIONS: Registrant's Chief Compliance Officer, Thomas J. Brown, remains available to address any questions regarding this Part 2A, including the disclosure additions and enhancements.**

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

- A. Brown Financial Management Group, LLC (the “Registrant”) is a limited liability company located in the state of New York. Thomas James Brown, a predecessor SEC registered firm, succeeded to the Registrant in January 2016. Thomas James Brown operated as a registered Sole Proprietor from 2007 until succeeding to the new registrant in 2016.
- B.

#### **INVESTMENT MANAGEMENT SERVICES**

The Registrant provides discretionary and non-discretionary investment advisory services on a *fee* basis. The Registrant’s annual investment advisory fee is based upon a percentage (%) of the market value of the assets placed under the Registrant’s management. Prior to engaging the Registrant to provide investment advisory services, clients are required to enter into an *Investment Advisory Agreement* with Registrant setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the fee that is due from the client.

Registrant’s annual investment advisory fee shall include investment advisory services, and, to the **extent specifically requested** by the client, financial planning and consulting services. In the event that the client requires extraordinary planning and/or consultation services (to be determined in the sole discretion of the Registrant), the Registrant may determine to charge for such additional services, the dollar amount of which shall be set forth in a separate written notice to the client.

#### **FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)**

The Registrant may determine to provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone separate fee basis. Registrant’s planning and consulting fees are negotiable. The Registrant provides financial planning and consulting services for an hourly fee of \$195. Fixed fee engagements generally range from \$500 to \$2,500, depending upon the level and scope of the service(s) required. Prior to engaging the Registrant to provide planning or consulting services, clients are generally required to enter into a *Financial Planning and Consulting Agreement* with Registrant setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the client prior to Registrant commencing services. If requested by the client, Registrant may recommend the services of other professionals for implementation purposes, including Thomas J. Brown in his individual capacity as a registered representative of Cambridge Investment Research (“*Cambridge*”) and/or in his individual capacity as a licensed insurance agent. (*See* disclosure below at Items 10.C below). The client is under no obligation to engage the services of any such recommended professionals. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from the Registrant. **Please Note:** If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged

professional. If the client engages any professional (i.e. attorney, accountant, insurance agent, etc.), recommended or otherwise, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from the engaged professional. At all times, the engaged licensed professional[s] (i.e. attorney, accountant, insurance agent, etc.), and not the Registrant, shall be responsible for the quality and competency of the services provided.

**Also Note:** It remains the client's responsibility to promptly notify the Registrant if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising Registrant's previous recommendations and/or services.

## MISCELLANEOUS

**Non-Investment Consulting/Implementation Services.** To the extent requested by the client, the Registrant *may* provide consulting services regarding non-investment related matters, such as estate planning, insurance, etc. Neither the Registrant, nor any of its representatives, serves as an attorney or accountant and no portion of the Registrant's services should be construed as same. To the extent requested by a client, the Registrant may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance, etc.), including the Registrant's representative in his individual capacities as a registered representative of a broker dealer and/or a licensed insurance agent as described below. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from the Registrant. **Please Note:** If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. At all times, the engaged licensed professional[s] (i.e. attorney, accountant, insurance agent, etc.), and not the Registrant, shall be responsible for the quality and competency of the services provided. **Please Also Note:** It remains the client's responsibility to promptly notify the Registrant if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising Registrant's previous recommendations and/or services.

**Retirement Rollovers- Conflict of Interest:** A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). If Registrant recommends that a client roll over their retirement plan assets into an account to be managed by Registrant, such a recommendation creates a conflict of interest. **No client is under any obligation to rollover retirement plan assets to an account managed by Registrant. ANY QUESTIONS: Registrants' Chief Compliance Officer, Thomas J. Brown, remains available to address any questions that a client or prospective client may have regarding the conflict of interest presented by such rollover recommendation.**

**Non-Discretionary Service Limitations.** Clients that determine to engage Registrant on a non-discretionary investment advisory basis **must be willing to accept** that Registrant cannot effect any account transactions without obtaining prior consent to such

transaction(s) from the client. Thus, in the event that Registrant would like to make a transaction for a client's account (including in the event of an individual holding or general market correction), and the client is unavailable, the Registrant will be unable to effect the account transaction(s) (as it would for its discretionary clients) without first obtaining the client's consent.

**Portfolio Activity.** Registrant has a fiduciary duty to provide services consistent with the client's best interest. As part of its investment advisory services, Registrant will review client portfolios on an ongoing basis to determine if any changes are necessary based upon various factors, including but not limited to investment performance, fund manager tenure, style drift, account additions/withdrawals, the client's financial circumstances, and changes in the client's investment objectives. Based upon these and other factors, there may be extended periods of time when Registrant determines that changes to a client's portfolio are neither necessary nor prudent. Notwithstanding, there can be no assurance that investment decisions made by Registrant will be profitable or equal any specific performance level(s).

**Use of Mutual Funds:** Most mutual funds are available directly to the public. Thus, a client or prospective client can obtain many of the mutual funds that may be recommended and/or utilized by Registrant independent of engaging Registrant as an investment advisor. However, if a client or prospective client determines to do so, he/she/it will not receive Registrant's initial and ongoing investment advisory services.

**Client Obligations.** In performing its services, Registrant shall not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely thereon. Moreover, each client is advised that it remains their responsibility to promptly notify the Registrant if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising Registrant's previous recommendations and/or services.

**Disclosure Statement.** A copy of the Registrant's written Brochure as set forth on Part 2 of Form ADV shall be provided to each client prior to, or contemporaneously with, the execution of the applicable form of client agreement.

- C. The Registrant provides investment advisory services specific to the needs of each client. Before providing investment advisory services, an investment adviser representative will ascertain each client's investment objective(s) based upon a review of personal benchmarks. Thereafter, the Registrant will allocate investment assets, consistent with the designated investment objective(s), primarily among mutual funds, but may also recommend allocations among various individual equities (stocks) and ETFs (exchange traded funds).
- D. **Wrap/Separate Managed Account programs:** In the event that Registrant is engaged to provide investment advisory services as part of an unaffiliated wrap-fee program, Registrant will be unable to negotiate commissions and/or transaction costs. Under a wrap program, the wrap program sponsor arranges for the investor participant to receive investment advisory services, the execution of securities brokerage transactions, custody and reporting services for a single specified fee. Participation in a wrap program may cost the participant more or less than purchasing such services separately. In the event that Registrant is engaged to provide investment advisory services as part of an unaffiliated managed account program, Registrant will likewise be unable to negotiate commissions

and/or transaction costs. If the program is offered on a non-wrap basis, the program sponsor will determine the broker-dealer through which transactions must be effected, and the amount of transaction fees and/or commissions to be charged to the participant investor accounts.

Since the custodian/broker-dealer is determined by the unaffiliated program sponsor, Registrant will be unable to negotiate commissions and/or transaction costs, and/or seek better execution. As a result, client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case through alternative clearing arrangements recommended by Registrant. Higher transaction costs adversely impact account performance.

- E. As of February 15, 2019 the Registrant had \$39,367,216 in discretionary assets under management and \$1,154,967 in non-discretionary assets under management.

## **Item 5 Fees and Compensation**

### **A. INVESTMENT MANAGEMENT SERVICES**

The Registrant's annual investment advisory fee shall be based upon a percentage (%) of the market value of the assets placed under the Registrant's management, generally between negotiable and 1.50% as follows:

<u>Market Value of Portfolio</u>	<u>Annual Fee %</u>
Up to \$1,000,000	1.50%
Above \$1,000,000	1.25%

The Registrant's investment advisory fee is negotiable at its discretion, depending upon objective and subjective factors including but not limited to: the amount of assets to be managed; portfolio composition; the scope and complexity of the engagement; the anticipated number of meetings and servicing needs; related accounts; future earning capacity; anticipated future additional assets; the professional(s) rendering the service(s); prior relationships with the Registrant and/or its representatives, and negotiations with the client. As a result of these factors, similarly situated clients could pay different fees, the services to be provided by the Registrant to any particular client could be available from other advisers at lower fees, and certain clients may have fees different than those specifically set forth above.

### **FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)**

The Registrant *may* determine to provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone fee basis. Registrant's planning and consulting fees are negotiable. The Registrant provides financial planning and consulting services for an hourly fee of \$195. Fixed fee engagements generally range from \$500 to \$2,500, depending upon the level and scope of the service(s) required.

- B. Clients may elect to have the Registrant's advisory fees deducted from their custodial account. Both Registrant's *Investment Advisory Agreement* and the custodial/clearing agreement may authorize the custodian to debit the account for the amount of the

Registrant's investment advisory fee and to directly remit that advisory fee to the Registrant in compliance with regulatory procedures. In the limited event that the Registrant bills the client directly, payment is due upon receipt of the Registrant's invoice. The Registrant shall deduct fees and/or bill clients quarterly in advance, based upon the account balance as of the last business day of the previous quarter.

- C. As discussed below, the Registrant requires that its clients utilize National Financial Services, (“NFS”) to serve as the clearing firm/custodian for client investment advisory assets. Clearing firms such as NFS charge brokerage transaction fees for effecting certain securities transactions (i.e. transaction fees are charged for certain no-load mutual funds, transaction fees are also charged for individual equity and fixed income securities transactions). In addition to Registrant's investment advisory fee, brokerage fees and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. advisory fees and other fund expenses).
- D. The *Investment Advisory Agreement* between the Registrant and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the *Investment Advisory Agreement*. Upon termination, the Registrant shall refund a pro-rated portion of the advanced advisory fee paid based upon the number of days remaining in the billing quarter.
- E. **Securities Commission Transactions.** In the event that the client desires, the client can engage Thomas J. Brown, in his individual capacity, as a registered representative of Cambridge Investment Research, Inc. (“Cambridge”), a FINRA member broker-dealer, to implement investment recommendations on a commission basis. In the event the client chooses to purchase investment products through Cambridge, Cambridge will charge brokerage commissions to effect securities transactions, a portion of which commissions Cambridge shall pay to Thomas J. Brown, as applicable. The brokerage commissions charged by Cambridge may be higher or lower than those charged by other broker-dealers. In addition, Cambridge, as well as Registrant's Representative, relative to commission mutual fund purchases, may also receive additional ongoing 12b-1 trailing commission compensation directly from the mutual fund company during the period that the commission client maintains the mutual fund investment.
1. **Conflict of Interest:** The recommendation that a client purchase a commission product from Cambridge presents a conflict of interest, as the receipt of commissions may provide an incentive to recommend investment products based on commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase any commission products from Thomas J. Brown. **Please Note:** To the extent that a client determines to work with Mr. Brown to purchase a commission based product, client is advised that Mr. Brown is limited by applicable FINRA Rules and may only engage in such activity through Cambridge. **The Registrant's Chief Compliance Officer, Thomas J. Brown, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**
  2. **Please Note:** Clients may purchase investment products recommended by Registrant through other, non-affiliated broker dealers or agents. No client is under any obligation to purchase any commission products through Mr. Brown.

3. The Registrant does not receive more than 50% of its revenue from advisory clients as a result of commissions or other compensation for the sale of investment products the Registrant recommends to its clients.
4. When providing services on an advisory fee basis, the Registrant's representatives do not also receive commission compensation for such advisory services except for any ongoing 12b-1 trailing commission compensation, when received as a Registered Representative of *Cambridge*. **Please Note: Any 12B-1 fees received by Thomas J. Brown, in his separate capacity as a Registered Representative of Cambridge, in connection with the Registrant's management of the client's advisory assets will offset the management fee charged by the Registrant by the amount of the 12B-1 fee received by Thomas J. Brown.**

**Please Note:** Thomas J. Brown does not receive 12B-1 fees related to investments within qualified accounts. Such 12B-1 fees shall instead be deposited directly into the client's *Cambridge* brokerage account.

**Please Also note:** Effective, on or around July 1, 2018, Thomas J. Brown shall no longer receive 12B-1 fees related to investments within non-qualified accounts. Upon the termination of their payment to Thomas J. Brown on or around July 1, 2018, such 12B-1 fees shall instead be deposited directly into the client's *Cambridge* brokerage account.

When Thomas J. Brown sells an investment product on a commission basis, the Registrant does not charge a separate advisory fee in addition to the commissions paid for such product.

12B-1 fees are fees paid from the overall expenses of a mutual fund directly back to a Broker/Dealer such as Cambridge. These fees increase the overall fund expenses and thus reduce the return to the shareholder.

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

Neither the Registrant nor any supervised person of the Registrant accepts performance-based fees.

## **Item 7 Types of Clients**

The Registrant's clients shall generally include individuals, businesses, pension and profit sharing plans, trusts, estates, corporations and various other business entities.

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

- A. The Registrant may utilize the following methods of security analysis:
  - Fundamental - (analysis performed on historical and present data, with the goal of making financial forecasts)

- Cyclical – (analysis performed on historical relationships between price and market trends, to forecast the direction of prices)

The Registrant may utilize the following investment strategies when implementing investment advice given to clients:

- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)

**Please Note: Investment Risk.** Investing in securities involves risk of loss that clients should be prepared to bear. Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by the Registrant) will be profitable or equal any specific performance level(s).

- B. The Registrant’s methods of analysis and investment strategies do not present any significant or unusual risks. However, every method of analysis has its own inherent risks. To perform an accurate market analysis the Registrant must have access to current/new market information. The Registrant has no control over the dissemination rate of market information; therefore, unbeknownst to the Registrant, certain analyses may be compiled with outdated market information, limiting the value of the Registrant’s analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

The Registrant’s primary investment strategies - Long Term Purchases and Short Term Purchases, are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy.

- C. Currently, the Registrant allocates client investment management assets primarily among mutual funds and various individual equities (stocks) and ETFs (exchange traded funds).

## **Item 9            Disciplinary Information**

The Registrant has not been the subject of any disciplinary actions.

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

- A. As disclosed above in Item 5.E, Thomas J. Brown is also a registered representative of Cambridge Investment Research (“*Cambridge*”), a FINRA member broker-dealer.
- B. Neither the Registrant, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.

- C. **Registered Representatives of Cambridge.** As disclosed above in Item 5.E, Thomas J. Brown, is a registered representative of *Cambridge*, a FINRA member broker-dealer. Clients may therefore choose to engage Mr. Brown in his individual capacity as a registered representative of *Cambridge* to implement investment recommendations on a commission basis. The recommendation that a client purchase a commission product from Mr. Brown presents a conflict of interest, as the receipt of commissions provides an incentive to recommend investment products based on commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase any commission products from Mr. Brown. **Registrant's Chief Compliance Officer, Thomas J. Brown, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**

**Licensed Insurance Agent.** Thomas J. Brown, in his separate individual capacity, is a licensed insurance agent. As discussed above, clients can choose to engage Mr. Brown to affect the purchase of insurance products on a commission basis. The recommendation by the Registrant that a client purchase an insurance commission product through Mr. Brown presents a conflict of interest. No client is under any obligation to engage the services of Mr. Brown, in his individual capacity as a licensed insurance agent. Furthermore, clients are reminded that they may purchase insurance commission products recommended by Registrant through other, non-affiliated insurance agents. **The Registrant's Chief Compliance Officer, Thomas J. Brown, remains available to address any questions that a client or prospective client may have regarding the above conflicts of interest.**

- D. The Registrant does not receive, directly or indirectly, compensation from investment advisors that it recommends or selects for its clients.

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

- A. The Registrant maintains an investment policy relative to personal securities transactions. This investment policy is part of Registrant's overall Code of Ethics, which serves to establish a standard of business conduct for all of Registrant's Representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, the Registrant also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by the Registrant or any person associated with the Registrant.

- B. Neither the Registrant nor any related person of Registrant recommends, buys, or sells for client accounts, securities in which the Registrant or any related person of Registrant has a material financial interest.
- C. The Registrant and/or representatives of the Registrant *may* buy or sell securities that are also recommended to clients. This practice may create a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a conflict of interest. Practices such as "scalping" (i.e., a practice whereby the owner of shares of a security

recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if the Registrant did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, “front-running” (i.e., personal trades executed prior to those of the Registrant’s clients) and other potentially abusive practices.

The Registrant has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of the Registrant’s “Access Persons”. The Registrant’s securities transaction policy requires that Access Person of the Registrant must provide the Chief Compliance Officer or his/her designee with a written report of the their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person’s current securities holdings at least once each twelve (12) month period thereafter on a date the Registrant selects; provided, however that at any time that the Registrant has only one Access Person, he or she shall not be required to submit any securities report described above.

- D. The Registrant and/or representatives of the Registrant *may* buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a conflict of interest. As indicated above in Item 11C, the Registrant has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of Registrant’s Access Persons.

## **Item 12      Brokerage Practices**

- A. Registrant may only provide investment advisory services to clients who custody their assets with *NFS*. Prior to engaging Registrant to provide investment advisory services, the client will be required to enter into a formal *Investment Advisory Agreement* with Registrant setting forth the terms and conditions under which Registrant shall manage the client’s assets, and a separate custodial/clearing agreement with *NFS*.

The Registrant believes that *NFS* is a suitable custodian for client assets based upon its historical relationship with the Registrant, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by Registrant’s clients shall comply with the Registrant’s duty to seek best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where the Registrant determines, in good faith, that the commission/transaction fee is reasonable. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a custodian’s services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Registrant currently requires its clients to custody their assets with *NFS*, the Registrant will continue to investigate other custodial options. The brokerage commissions or transaction fees charged by *NFS* are exclusive of, and in addition to, Registrant’s investment advisory fee. The Registrant’s best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

1. Research and Additional Benefits

Although not a material consideration when determining to utilize the services of *NFS*, Registrant receives from *NFS* (and/or another broker-dealer/custodian, investment platform, unaffiliated investment manager, vendor, unaffiliated product/fund sponsor, or vendor) without cost (and/or at a discount) support services and/or products, certain of which assist the Registrant to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by the Registrant may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by Registrant in furtherance of its investment advisory business operations.

As indicated above, certain of the support services and/or products received may assist the Registrant in managing and administering client accounts. Others do not directly provide such assistance, but rather assist the Registrant to manage and further develop its business enterprise.

There is no corresponding commitment made by the Registrant to *NFS* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as result of the above arrangement.

**The Registrant's Chief Compliance Officer, Thomas J. Brown, remains available to address any questions that a client or prospective client may have regarding the above arrangement and the corresponding conflict of interest.**

2. The Registrant does not receive referrals from broker-dealers.
3. The Registrant does not accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). Clients must custody their assets with *NFS*.

**The Registrant's Chief Compliance Officer, Thomas J. Brown, remains available to address any questions that a client or prospective client may have regarding the above arrangement.**

- B. The transactions for each client account generally will be effected independently, unless the Registrant decides to purchase or sell the same securities for several clients at approximately the same time. The Registrant may (but is not obligated to) combine or "bunch" such orders to seek best execution, to negotiate more favorable commission rates or to allocate equitably among the Registrant's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. The Registrant shall not receive any additional compensation or remuneration as a result of such aggregation.

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

- A. For those clients to whom Registrant provides investment supervisory services, account reviews are conducted on an ongoing basis by Thomas J. Brown. All investment supervisory clients are advised that it remains their responsibility to advise the Registrant of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review their investment objectives and account performance with the Registrant on an annual basis.
- B. The Registrant may conduct account reviews on an other than periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.
- C. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. The Registrant may also provide a written periodic report summarizing account activity and performance.

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

- A. As referenced in Item 12.A.1 above, the Registrant receives an indirect economic benefit from *NFS*. The Registrant, without cost (and/or at a discount), receives support services and/or products from *Interactive*.

There is no corresponding commitment made by the Registrant to *NFS* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as result of the above arrangement.

**The Registrant's Chief Compliance Officer, Thomas J. Brown, remains available to address any questions that a client or prospective client may have regarding the above arrangement and the corresponding conflict of interest.**

- B. Neither the Registrant nor any related person of the Registrant directly or indirectly compensates any person for client referrals.

### **Item 15      Custody**

The Registrant shall have the ability to have its advisory fee for each client debited by the custodian on a monthly basis. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. The Registrant may also provide a written periodic report summarizing account activity and performance.

**Please Note:** To the extent that the Registrant provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by the Registrant with the account statements received from the account custodian. **Please**

**Also Note:** The account custodian does not verify the accuracy of the Registrant's advisory fee.

#### **Item 16 Investment Discretion**

The client can engage the Registrant to provide investment advisory services on a discretionary and/or non-discretionary basis. Prior to the Registrant assuming discretionary authority over a client's account, client shall be required to execute an *Investment Advisory Agreement*, naming the Registrant as client's attorney and agent in fact, granting the Registrant full authority to buy, sell, or otherwise effect investment transactions involving the assets in the client's name found in the discretionary account.

Clients who engage the Registrant on a discretionary basis may, at any time, impose restrictions, **in writing**, on the Registrant's discretionary authority (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe the Registrant's use of margin, etc.).

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

- A. The Registrant does not vote client proxies. Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets.
- B. Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact the Registrant to discuss any questions they may have with a particular solicitation.

#### **Item 18 Financial Information**

- A. The Registrant does not solicit fees of more than \$1,200 per client, six months or more in advance.
- B. The Registrant is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.
- C. The Registrant has not been the subject of a bankruptcy petition.

**ANY QUESTIONS: The Registrant's Chief Compliance Officer, Thomas J. Brown, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.**