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**April 17, 2023**

**Part 2A Brochure**

This brochure provides information about the qualifications and business practices of J. Hagan Capital, Inc. (“JHC” or “Firm”). If you have any questions about the contents of this brochure, please contact us at 502-690-5635. 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. J. Hagan Capital, Inc. is a Registered Investment Adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

Additional information about J. Hagan Capital is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as an IARD number. The IARD number for J. Hagan Capital is 168467.

## ITEM 2 – MATERIAL CHANGES

### SUMMARY OF MATERIAL CHANGES

This section of the Brochure will address only those “material changes” that have been incorporated since our last delivery or posting of this document on the SEC’s public disclosure website (IAPD) [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

The following material updates have been made since our last Annual ADV filing on March 18, 2022:

- Our Firm updated our address in November 2022.
- We engaged the services of Pontera and Advisor RPM.

Currently, a free copy of our Brochure may be requested by contacting Jonathan Hicks, Chief Compliance Officer of J. Hagan Capital, Inc. at 502-690-5635.

We encourage you to read this document in its entirety.

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## ITEM 4 – ADVISORY BUSINESS

This Disclosure document is being offered to you by J. Hagan Capital, Inc. (“JHC” or “Firm”) about the investment advisory services we provide. It discloses information about the services that we provide and the way those services are made available to you, the client.

JHC became a Registered Investment Adviser in the State of Kentucky in September 2013 and was registered as an Investment Advisor with the SEC in June 2021. Jonathan Hicks is the owner and Chief Compliance Officer of the Firm.

Our Firm provides customized investment advisory solutions for its Clients. This is achieved through continuous personal Client contact and interaction while providing investment management and consulting services. Investment advisory services are initiated only after you and JHC execute an investment management agreement.

### INVESTMENT MANAGEMENT AND SUPERVISION SERVICES

Our Firm manages advisory accounts on a discretionary and non-discretionary basis. Our Firm works with each Client to identify their investment goals and objectives as well as risk tolerance and financial situation in order to create a portfolio strategy. JHC will then construct a portfolio, consisting of traditional and alternative asset classes, as well as insurance to achieve Client goals. Investments may include private placements, traded and non-traded real estate investment trusts (“REITs”), and other types of investments necessary to achieve the Clients investment goals. The Advisor may employ traditional investments, including individual cash, stocks, individual bonds, mutual funds, and exchange-traded funds (“ETFs”), as necessary to support a particular Client’s investment goals. Once we have determined the types of investments to be included in a client’s portfolio and have allocated the assets, we provide ongoing investment review and management services. It is the client’s obligation to notify us immediately if circumstances have changed with respect to their goals.

For discretionary accounts, once we have determined a profile and investment plan with a client, we will make changes to the portfolio, as we deem appropriate, to meet client financial objectives. We will execute the day-to-day transactions without seeking prior client consent but within the expected investment guidelines. Account supervision is guided by the client’s written profile and investment plan. We will accept accounts with certain trading restrictions if circumstances warrant.

If a non-discretionary relationship is in place, calls will be placed presenting the recommendation made and only upon your authorization will any action be taken on your behalf.

Our Firm has limited authority to direct the custodian to deduct our investment advisory fees from accounts, but only with the appropriate written authorization from clients.

Clients may engage us to advise on certain investment products that are not maintained at our Firm’s recommended custodian, such as variable life insurance, annuity contracts, and assets held in employer sponsored retirement plans. Where appropriate, we provide advice about any type of held away account that is part of a client portfolio.

You are advised and are expected to understand that our past performance is not a guarantee of future results. Certain market and economic risks exist that adversely affect an account’s performance. This could result in capital losses in your account.

Clients engaging in Investment Management Services will have access to the following services:

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### **PARTICIPANT ACCOUNT MANAGEMENT (PONTERA)**

We use a third-party platform to facilitate management of held away assets such as defined contribution plan participant accounts, with discretion. The platform allows us to avoid being considered to have custody of Client funds since we do not have direct access to Client log-in credentials to affect trades. We are not affiliated with the platform in any way and receive no compensation from them for using their platform. A link will be provided to the Client allowing them to connect an account(s) to the platform. Once Client account(s) is connected to the platform, Adviser will review the current account allocations. When deemed necessary, Adviser will rebalance the account considering client investment goals and risk tolerance, and any change in allocations will consider current economic and market trends. The goal is to improve account performance over time, minimize loss during difficult markets, and manage internal fees that harm account performance. Client account(s) will be reviewed at least quarterly, and allocation changes will be made as deemed necessary.

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### **EP NAVIGATOR ESTATE PLANNING SOFTWARE**

Our Firm offers support for estate planning through EP Navigator, an online estate planning tool. Through EP Navigator, clients can have trusts, wills, and other estate planning documents prepared by local attorneys. Our Firm does not provide estate planning advice and only assists clients with the EP Navigator discovery process and notarizes the clients' completed documents. Clients can directly engage EP Navigator for estate planning services without using the services of our Firm.

Our Firm does not currently offer financial planning services alone. However, our Firm reserves the right to offer planning services in a negotiated situation where it benefits the client and our Firm.

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### **FINANCIAL PLANNING**

JHC will typically provide a variety of financial planning services to individuals and families, pursuant to a written financial planning or consulting agreement. Services are offered in several areas of a Client's financial situation, depending on their goals, objectives, and financial situation.

Generally, such financial planning services will involve preparing a financial plan or rendering a financial consultation based on the Client's financial goals and objectives. Our specific services in preparing your plan may include:

- Review and clarification of your financial goals.
- Assessment of your overall financial position including cash flow, balance sheet, investment strategy, risk management, and estate planning.
- Creation of a unique plan for each goal you have, including personal and business real estate, education, retirement or financial independence, charitable giving, estate planning, business succession, and other personal goals.
- Development of a goal-oriented investment plan, with input from various advisors to our clients around tax suggestions, asset allocation, expenses, risk, and liquidity factors for each goal. This includes IRA and qualified plans, taxable, and trust accounts that require special attention.
- Design of a risk management plan including risk tolerance, risk avoidance, mitigation, and transfer, including liquidity as well as various insurance and possible company benefits.
- Crafting and implementation of, in conjunction with your estate and/or corporate attorneys as tax advisor, an estate plan to provide for you and/or your heirs in the event of an incapacity or death.

Services rendered to the Client will usually include general recommendations for a course of activity or specific actions to be taken by the Client. For example, recommendations may be made that the Client start or revise their investment programs, commence, or alter retirement savings, establish education savings and/or charitable giving programs. Such services include various reports on specific goals and objectives or general investment and/or planning recommendations, guidance to outside assets, and periodic updates.

For certain financial planning engagements, the Advisor will provide a written summary of Client's financial situation, observations, and recommendations. For consulting or ad-hoc engagements, the Advisor may not provide a written summary.

Clients engaging in Financial Planning Services may be offered the following:

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#### **OTHER PROFESSIONALS**

JHC may also refer Client's to CPAs, Enrolled Agents, estate attorneys, insurance brokers, or other professionals, as appropriate for their unique situation. Plans or consultations are typically completed within six months of contract date, assuming all information and documents requested are provided promptly.

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#### **SUB-ADVISORY SERVICES**

Our Firm may determine that engaging the expertise of an independent sub-advisor is best suited for your account. Our Firm will have discretion to utilize independent third-party investment adviser to aid in the implementation of investment strategies for your portfolio. In certain circumstances, we may allocate a portion of a portfolio to an independent third-party investment adviser ("Manager") for separate account management based upon your individual circumstances and objectives, including, but not limited to, your account size and tax circumstances. Upon the recognition of such situations, in coordination with you, we will hire a Manager for the management of those assets. These advisers shall assist our Firm in managing the day-to-day investment operations of the various allocations, shall determine the composition of the investments comprising the allocation, shall determine what securities and other assets of the allocation will be acquired, held, disposed of or loaned in conformity with the written investment objectives, policies and restrictions and other statements of each client comprising the allocation, or as instructed by our Firm.

Managers selected for your investments need to meet several quantitative and qualitative criteria established by us. Among the criteria that may be considered are the Manager's experience, assets under management, performance record, client retention, the level of client services provided, investment style, buy and sell disciplines, capitalization level, and the general investment process.

You are advised and should understand that:

- A Manager's past performance is no guarantee of future results.
- There is a certain market and/or interest rate risk which may adversely affect any Manager's objectives and strategies and could cause a loss in a Client's account(s).
- Client risk parameters or comparative index selections provided to our firm are guidelines only and there is no guarantee that they will be met or not be exceeded.

Our Firm has entered into agreements with various independent Managers. These Managers will take discretionary authority to determine the securities to be purchased and sold for the client. As stated in the Discretionary Advisory Agreement, our Firm and its associated persons will have discretionary authority to hire and fire the Manager. Our Firm will work with the sub-advisor to communicate any trading restrictions

or standing instructions to refrain from a particular industry requested by the Client. In all cases, trading restrictions will depend on the sub-advisor and their ability to accommodate such restrictions.

All performance reporting will be the responsibility of the respective Manager. Such performance reports will be provided directly to you and our firm. Disclosures will indicate which firm is providing the reporting.

All third-party Managers to whom we will refer clients will be licensed as registered investment advisors by their resident state and any applicable jurisdictions or registered investment advisors with the Securities and Exchange Commission. A complete description of the Manager's services, fee schedules and account minimums will be disclosed in the Manager's Form ADV or similar Disclosure Brochure.

We review the performance of our Managers on at least a quarterly basis. More frequent reviews may be triggered by changes in Manager's management, performance, or geopolitical and macroeconomic specific events. Our Firm enters into only a select number of relationships with Managers. We have agreed to pay a portion of the overall advisory fee charged to our clients to the Manager.

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#### **DISCLOSURE REGARDING ROLLOVER RECOMMENDATIONS**

We are fiduciaries under the Investment Advisers Act of 1940 and when we provide investment advice to you regarding your retirement plan account or individual retirement account, we are also fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. We have to act in your best interest and not put our interest ahead of yours. At the same time, the way we make money creates some conflicts with your interests.

A client or prospect 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) rollover 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). Our Firm may recommend an investor roll over plan assets to an IRA for which our Firm provides investment advisory services. As a result, our Firm and its representatives may earn an asset-based fee. In contrast, a recommendation that a client or prospective client leave their plan assets with their previous employer or roll over the assets to a plan sponsored by a new employer will generally result in no compensation to our Firm. Our Firm therefore has an economic incentive to encourage a client to roll plan assets into an IRA that our Firm will manage, which presents a conflict of interest. To mitigate the conflict of interest, there are various factors that our Firm will consider before recommending a rollover, including but not limited to: (i) the investment options available in the plan versus the investment options available in an IRA, (ii) fees and expenses in the plan versus the fees and expenses in an IRA, (iii) the services and responsiveness of the plan's investment professionals versus those of our Firm, (iv) protection of assets from creditors and legal judgments, (v) required minimum distributions and age considerations, and (vi) employer stock tax consequences, if any. Our Firm's Chief Compliance Officer remains available to address any questions that a client or prospective client has regarding the oversight.

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#### **WRAP FEE PROGRAM**

Our Firm does not manage or place Client assets into a wrap fee program.

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**ASSETS**

As of December 31, 2022, our Firm manages a total of \$158,272,286 in discretionary assets and \$17,954,910 in non-discretionary assets.

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**ITEM 5 - FEES AND COMPENSATION**

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**INVESTMENT MANAGEMENT FEES AND COMPENSATION**

JHC charges a fee as compensation for providing Investment Management services on your account. These services include advisory and consulting services, trade entry, investment supervision, and other account-maintenance activities. Our recommended custodian charges transaction costs, custodial fees, redemption fees, retirement plan and administrative fees or commissions. See Additional Fees and Expenses below for additional details.

The fees for portfolio management are based on an annual percentage of assets under management and are applied to the account asset value on a pro-rata basis. Investment advisory fees are invoiced monthly, at the end of each month, pursuant to the terms of the investment advisory agreement. Investment advisory fees are calculated based on the average daily balance of assets under management. The investment advisory fee in the first month of service is prorated from the inception date of the account(s) to the end of the first month. Fees may be negotiable and/or waived at the sole discretion of the Advisor. Unless otherwise agreed upon and stated in the Investment Management Agreement, fees are assessed on all assets under management, including securities, cash, and money market balances, all of which are considered asset allocation categories for the client's investment strategy. When applicable and noted in the Investment Management Agreement, legacy positions can be excluded from the fee calculation.

Our maximum annual advisory fee is for accounts paying a percentage of assets under management is 1.50% and the specific advisory fees are set forth in your Investment Advisory Agreement. Fee percentages may vary based on the size of the account, complexity of the portfolio, extent of activity in the account or other reasons agreed upon by us and you as the client. In certain circumstances, our fees and the timing of the fee payments may be negotiated. Our employees and their family related accounts are charged a reduced fee for our services.

The Client's fees will take into consideration the aggregate assets under management with Advisor to determine the advisory fee for all your accounts. We would do this, for example, where we also service accounts on behalf of your minor children, individual and joint accounts for a spouse, and/or other types of related accounts. This consolidation practice is designed to allow you the benefit of an increased asset total, which could cause your account(s) to be assessed a lower advisory fee.

All securities held in accounts managed by our Firm will be held and independently valued by an independent qualified custodian. Our Firm will not have the authority or responsibility to value portfolio securities. The custodian holding your funds and securities will debit your account directly for the advisory fee and pay that fee to us. You will provide written authorization permitting the fees to be paid directly from your account held by the qualified custodian. Further, the qualified custodian agrees to deliver an account statement monthly directly to you indicating all the amounts deducted from the account including our advisory fees. At our discretion, our Firm will allow advisory fees to be paid by check as indicated in the Investment Advisory Agreement. You are encouraged to review your account statements for accuracy.

Either JHC or you may terminate the management agreement immediately upon written notice to the other party. The management fee will be pro-rated to the date of termination, for the month in which the cancellation notice was given and billed to your account. Upon termination, you are responsible for



monitoring the securities in your account, and we will have no further obligation to act or advise with respect to those assets. In the event of client's death or disability, JHC will continue management of the account until we are notified of client's death or disability and given alternative instructions by an authorized party.

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#### **EP NAVIGATOR SUPPORT FEES**

For clients engaging our Firm for investment advisory services, we charge a fee of \$1,500 for EP Navigator Support. For clients who solely engage our Firm for EP Navigator Support, we charge a fee of \$2,500. In each case, EP Navigator will directly charge the client a separate fee in addition to our fee. Clients who directly engage EP Navigator without the services of our Firm will pay lower total fees; however, will not receive our support in using the software. In some cases, these fees may be negotiated at the sole discretion of our Firm.

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#### **FINANCIAL PLANNING FEES**

Our Firm offers financial planning services for a separate fee. In this circumstance, we will negotiate the planning fees with you. Our fee will be agreed upon in advance of services being performed. The fee will be determined based on factors including the complexity of your financial situation, agreed upon deliverables, and whether you intend to implement any recommendations through JHC. Financial planning or consulting service fees are billed at an hourly rate of \$250 per hour, or on a fixed fee per engagement, which is based on the expected hours to complete an engagement. Fees may be negotiable depending on the nature and complexity of each Client's circumstances. An estimate for total hours and/or costs will be determined prior to establishing the advisory relationship.

Our Firm's fee is exclusive of, and in addition to, brokerage fees, transaction fees, and other related costs and expenses, which may be incurred by the Client. However, we shall not receive any portion of these commissions, fees, and costs. The specific fixed fee for your financial plan is specified in your planning agreement with JHC.

Typically, we complete a plan within a month and will present it to you within 90 days of the contract date, if you have provided us all information needed to prepare the financial plan.

Financial planning and consulting fees are invoiced up to fifty percent (50%) upon execution of the financial planning and consulting agreement the balance upon completion of the agreed upon deliverable(s). We will not require prepayment of more than \$1200 in fees per client, six (6) or more months in advance of providing any services. In no case are our fees based on, or related to, the performance of your funds or investments.

If you choose to terminate the financial planning agreement by providing us with written notice. Either party may terminate a planning or consulting agreement, at any time, by providing written notice to the other party. Upon termination, the Client shall be billed for the percentage of the engagement completed at a rate of \$250 per hour. Any unearned, prepaid fees will be promptly refunded.

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#### **SUB-ADVISOR FEES**

As discussed in Item 4 above, there will be occasions where an independent Registered Investment Advisory firm acts as a sub-advisor to our Firm. In those circumstances, the other investment adviser manages the assets based upon the parameters provided by our Firm.

Our Firm will be compensated via a fee share with the sub- advisers which it selects for those clients. The fees shared are negotiable and will not exceed any limit imposed by any regulatory agency.

The annual fee schedule is as follows:

<b>JHC's Fee</b>	<b>Sub-Advisor's Fee</b>	<b>Total Maximum Fee Not to Exceed</b>
1.20% - 1.30%	0.25% - 0.35%	1.50%

Our Firm collects the client advisory fee as described above, not to exceed 1.50%, and then pays out the sub-advisor a portion of advisory fee based on the assets under management for such services as outlined in the Agreement between our Firm and the sub-advisor. The notice of termination requirement and payment of fees for third-party investment advisers will depend on the specific third-party adviser selected.

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**ADDITIONAL FEES AND EXPENSES:**

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

When selecting investments for our clients' portfolios we might choose mutual funds on your account custodian's Non-Transaction Fee (NTF) list. This means that your account custodian will not charge a transaction fee or commission associated with the purchase or sale of the mutual fund.

The mutual fund companies that choose to participate in your custodian's NTF fund program pay a fee to be included in the NTF program. The fee that a mutual fund company pays to participate in the program is ultimately borne by the owners of the mutual fund including clients of our Firm. When we decide whether to choose a fund from your custodian's NTF list or not, we consider our expected holding period of the fund, the position size and the expense ratio of the fund versus alternative funds. Depending on our analysis and future events, NTF funds might not always be in your best interest.

**ITEM 6 - PERFORMANCE BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

Our Firm does not engage in performance-based fees. No supervised person is compensated by performance-based fees. Performance-based fees may create an incentive for the advisor to recommend an investment that may carry a higher degree of risk.

**ITEM 7 - TYPES OF CLIENTS**

Our Firm offers investment advisory services to individuals, high net worth individuals, trusts and estates. The relative percentage of each type of Client is available on our Firm's Form ADV Part 1. These percentages will change over time. Our Firm generally imposes an account minimum of \$500,000 although may waive this minimum in its discretion. However, many private investments may require that Clients have a minimum net worth and/or account size.

## ITEM 8 - INVESTMENT STRATEGIES, METHODS OF ANALYSIS AND RISK OF LOSS

JHC's investment strategy is primarily long-term focused, but the Advisor may buy, sell, or re-allocate positions that have been held less than one year to meet the objectives of the Client or due to market conditions. JHC will construct, implement, and monitor the portfolio to ensure it meets the goals, objectives, circumstances, and risk tolerance agreed to by the Client. Each Client will have the opportunity to place reasonable restrictions on the types of investments to be held in their respective portfolio, subject to acceptance by the Advisor.

Our Firm evaluates and selects investments for inclusion in Client portfolios only after applying its internal due diligence process. Our Firm may recommend, on occasion, redistributing investment allocations to diversify the portfolio, or recommend specific positions to increase sector or asset class weightings. The Advisor may recommend employing cash positions as a possible hedge against market movement. Our Firm may recommend selling positions for reasons that include, but are not limited to, harvesting capital gains or losses, business or sector risk exposure to a specific security or class of securities, overvaluation or overweighting of the position(s) in the portfolio, change in risk tolerance of Client, generating cash to meet Client needs, or any risk deemed unacceptable for the Client's risk tolerance.

Research and analysis from our Firm is derived from numerous sources, including financial media companies, third-party research materials, Internet sources, and review of company activities, including annual reports, prospectuses, press releases and research prepared by others. Our Firm primarily employs fundamental, technical, and other analysis in developing investment strategies for its Clients.

- **Fundamental Analysis:** We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell). Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.
- **Quantitative Analysis:** We use mathematical ratios and other performance appraisal methods in attempt to obtain more accurate measurements of a model manager's investment acumen, idea generation, consistency of purpose and overall ability to outperform their stated benchmark throughout a full market cycle. Additionally, we perform periodic measurements to assess the authenticity of returns. A risk in using quantitative analysis is that the models used may be based on assumptions that prove to be incorrect.
- **Technical Analysis:** We use this method of evaluating securities by analyzing statistics generated by market activity, such as past prices and volume. Technical analysts do not attempt to measure a security's intrinsic value, but instead use charts and other tools to identify patterns that can suggest future activity. Technical analysts believe that the historical performance of stocks and markets are indications of future performance. Technical analysis is even more subjective than fundamental analysis in that it relies on proper interpretation of a given security's price and trading volume data. A decision might be made based on a historical move in a certain direction that was accompanied by heavy volume; however, that heavy volume may only be heavy relative to past volume for the security in question, but not compared to the future trading volume. Therefore, there is the risk of a trading decision being made incorrectly since future trading volume is an unknown. Technical analysis is also done through observation of various market sentiment readings, many of which are quantitative. Market sentiment gauges the relative degree of

bullishness and bearishness in each security, and a contrarian investor utilizes such sentiment advantageously. When most traders are bullish, then there are very few traders left in a position to buy the security in question, so it becomes advantageous to sell it ahead of the crowd. When most traders are bearish, then there are very few traders left in a position to sell the security in question, so it becomes advantageous to buy it ahead of the crowd. The risk in utilization of such sentiment technical measures is that a very bullish reading can always become more bullish, resulting in lost opportunity if the money manager chooses to act upon the bullish signal by selling out of a position. The reverse is also true in that a bearish reading of sentiment can always become more bearish, which may result in a premature purchase of a security.

- **Asset Allocation:** Rather than focusing primarily on securities selection, we attempt to identify an appropriate ratio of securities, fixed income, and cash suitable to the client's investment goals and risk tolerance. A risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry, or market sector. Another risk is that the ratio of securities, fixed income, and cash will change over time due to stock and market movements and, if not corrected, will no longer be appropriate for the client's goals.
- **Mutual Fund and/or ETF Analysis:** We look at the experience and track record of the manager of the mutual fund or ETF in attempt to determine if that manager has demonstrated an ability to invest over a period and in different economic conditions. We also monitor the funds or ETFs in attempt to determine if they are continuing to follow their stated investment strategy. A risk of mutual fund and/or ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a fund or ETF, managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETF, which could make the holding(s) less suitable for the client's portfolio.
- **Model Manager Analysis:** We examine the experience, expertise, investment philosophies, and past performance of Model Managers in attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We monitor the manager's underlying holdings, strategies, concentrations and leverage as part of our overall periodic risk assessment. Additionally, as part of our due-diligence process, we survey the Model Manager's compliance and business enterprise risks.

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## **RISK OF LOSS**

A client's investment portfolio is affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic conditions, changes in laws and national and international political circumstances.

Investing in securities involve certain investment risks. Securities may fluctuate in value or lose value. Clients should be prepared to bear the potential risk of loss. JHC will assist Clients in determining an appropriate strategy based on their tolerance for risk.

Each Client engagement will entail a review of the Client's investment goals, financial situation, time horizon, tolerance for risk and other factors to develop an appropriate strategy for managing a Client's account. Client participation in this process, including full and accurate disclosure of requested information, is essential for the analysis of a Client's account(s). JHC shall rely on the financial and other information

provided by the Client or their designees without the duty or obligation to validate the accuracy and completeness of the provided information. It is the responsibility of the Client to inform JHC of any changes in financial condition, goals or other factors that may affect this analysis.

Our methods rely on the assumption that the underlying companies within our security allocations are accurately reviewed by the rating agencies and other publicly available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

Investors should be aware that accounts are subject to the following risks:

- **Market Risk:** Even a long-term investment approach cannot guarantee a profit. Economic, political, and issuer-specific events will cause the value of securities to rise or fall. Because the value of investment portfolios will fluctuate, there is the risk that you will lose money and your investment may be worth more upon liquidation.
- **Foreign Securities and Currency Risk:** Investments in international and emerging-market securities include exposure to risks such as currency fluctuations, foreign taxes and regulations, and the potential for illiquid markets and political instability.
- **Capitalization Risk:** Small-cap and mid-cap companies may be hindered because of limited resources or less diverse products or services. Their stocks have historically been more volatile than the stocks of larger, more established companies.
- **Interest Rate Risk:** In a rising rate environment, the value of fixed-income securities generally declines, and the value of equity securities may be adversely affected.
- **Credit Risk:** Credit risk is the risk that the issuer of a security may be unable to make interest payments and/or repay principal when due. A downgrade to an issuer's credit rating or a perceived change in an issuer's financial strength may affect a security's value and thus, impact the fund's performance.
- **Securities Lending Risk:** Securities lending involves the risk that the fund loses money because the borrower fails to return the securities in a timely manner or at all. The fund could also lose money if the value of the collateral provided for loaned securities, or the value of the investments made with the cash collateral, falls. These events could also trigger adverse tax consequences for the fund.
- **Exchange-Traded Funds:** ETFs face market-trading risks, including the potential lack of an active market for shares, losses from trading in the secondary markets, and disruption in the creation/redemption process of the ETF. Any of these factors may lead to the fund's shares trading at either a premium or a discount to its "net asset value."
- **Performance of Underlying Managers:** We select the mutual funds and ETFs in the asset allocation portfolios. However, we depend on the manager of such funds to select individual investments in accordance with their stated investment strategy.
- **Cybersecurity Risk:** In addition to the Material Investment Risks listed above, investing involves various operational and "cybersecurity" risks. These risks include both intentional and unintentional events at our firm or one of its third-party counterparties or service providers, that may result in a loss or corruption of data, result in the unauthorized release or other misuse of confidential information, and generally compromise our Firm's ability to conduct its business. A

cybersecurity breach may also result in a third-party obtaining unauthorized access to our clients' information, including social security numbers, home addresses, account numbers, account balances, and account holdings. Our Firm has established business continuity plans and risk management systems designed to reduce the risks associated with cybersecurity breaches. However, there are inherent limitations in these plans and systems, including those certain risks may not have been identified, in large part because different or unknown threats may emerge in the future. As such, there is no guarantee that such efforts will succeed, especially because our Firm does not directly control the cybersecurity systems of our third-party service providers. There is also a risk that cybersecurity breaches may not be detected.

- **Non-Liquid Alternative Investments:** From time to time, our Firm will recommend to certain qualifying clients that a portion of such clients' assets be invested in private funds, private fund-of-funds and/or other alternative investments (collectively, "Nonliquid Alternative Investments"). Nonliquid Alternative Investments are not suitable for all our Firm's clients and are offered only to those qualifying clients for whom our Firm believes such an investment is suitable and in line with their overall investment strategy. Nonliquid Alternative Investments typically are available to only a limited number of sophisticated investors who meet the definition of "accredited investor" under Regulation D of the Securities Act of 1933, as amended (the "Securities Act"), or "qualified client" under the Investment Advisers Act of 1940, or "qualified purchaser" under the Investment Company Act of 1940. Nonliquid Alternative Investments present special risks for our Firm's clients, including without limitation, limited liquidity, higher fees and expenses, volatile performance, no assurance of investment returns, heightened risk of loss, limited transparency, additional reliance on underlying management of the investment, special tax considerations, subjective valuations, use of leverage and limited regulatory oversight. When a Nonliquid Alternative Investment invests part or all of its assets in real estate properties, there are additional risks that are unique to real estate investing, including but not limited to: limitations of the appraisal value; the borrower's financial conditions (if the underlying property has been obtained by a loan), including the risk of foreclosures on the property; neighborhood values; the supply of and demand for properties of like kind; and certain city, state and/or federal regulations. Additionally, real estate investing is also subject to possible loss due to uninsured losses from natural and man-made disasters. The above list is not exhaustive of all risks related to an investment in Nonliquid Alternative Investments. A more comprehensive discussion of the risks associated with a particular Nonliquid Investment is set forth in that fund's offering documents, which will be provided to each client subscribing to a Nonliquid Alternative Investment, for review and consideration. It is important that each potential, qualified investor carefully read each offering or private placement memorandum prior to investing.
- **Commodities Risk:** If the commodity is purchased in physical form, such as gold bars and coins, for example, there are risks associated with transporting it from the place of purchase and of storing it securely over time. There are also risks that the transaction costs of buying or selling the physical commodity may be high. Additionally, there may be liquidity risks (one-half of a gold coin cannot be sold, for example). If the commodity is purchased in non-physical form, such as unallocated gold accounts, ETFs or other unit and investment trusts, there are risks associated with the movement in gold prices and the ability of the fund or trust manager to respond or deal with those price movements. There also may be initial charges as well as annual management fees associated with the fund or trust.

- **Digital Currency:** Our Firm’s use of digital currency in a client portfolio is limited only to publicly traded securities that passively or actively invest in digital currency assets. The shares of certain Products are also publicly quoted on OTC Markets and shares that have become unrestricted in accordance with the rules and regulations of the SEC may be bought and sold throughout the day through any brokerage account. Cryptocurrency (notably, bitcoin), often referred to as “virtual currency”, “digital currency,” or “digital assets,” operates as a decentralized, peer-to-peer financial exchange and value storage that is used like money. If deemed appropriate, Clients may have exposure to bitcoin, a cryptocurrency. Cryptocurrency operates without central authority or banks and is not backed by any government. Cryptocurrencies (i.e., bitcoin) may experience very high volatility. Cryptocurrency is also not legal tender. Federal, state, or foreign governments may restrict the use and exchange of cryptocurrency, and regulation in the U.S. is still developing. The SEC has issued a public report stating U.S. federal securities laws require treating some digital assets as securities. Cryptocurrency exchanges may stop operating or permanently shut down due to fraud, technical glitches, hackers, or malware. Due to its relatively recent launch, bitcoin has a limited trading history, making it difficult for investors to evaluate investments in this cryptocurrency. It is possible that another entity could manipulate the blockchain in a manner that is detrimental to the bitcoin network. Bitcoin transactions are irreversible such that an improper transfer can only be undone by the receiver of the bitcoin agreeing to return the bitcoin to the original sender. Digital assets are highly dependent on their developers and there is no guarantee that development will continue or that developers will not abandon a project with little or no notice. Third parties may assert intellectual property claims relating to the holding and transfer of digital assets, including cryptocurrencies, and their source code. Any threatened action that reduces confidence in a network’s long-term ability to hold and transfer cryptocurrency may affect investments in cryptocurrencies. Investments in the Products are speculative investments that involve high degrees of risk, including a partial or total loss of invested funds. The shares of each Product are intended to reflect the price of the digital asset(s) held by such Product (based on digital asset(s) per share), less such Product’s expenses and other liabilities. Because each Product does not currently operate a redemption program, there can be no assurance that the value of such Product’s shares will reflect the value of the assets held by such Product, less such Product’s expenses and other liabilities, and the shares of such Product, if traded on any secondary market, may trade at a substantial premium over, or a substantial discount to, the value of the assets held by such Product, less such Product’s expenses and other liabilities, and such Product may be unable to meet its investment objective.
- **Option Risk:** Variable degree of risk. Transactions in options carry a high degree of risk. Purchasers and sellers of options should familiarize themselves with the type of option (i.e., put or call) which they contemplate trading and the associated risks. Traders of options should calculate the extent to which the value of the options must increase for the position to become profitable, taking into account the premium and all transaction costs.
  - The purchaser of options may offset or exercise the options or allow the options to expire. The exercise of an option results either in a cash settlement or in the purchaser acquiring or delivering the underlying interest. If the option is on a future, the purchaser will acquire a futures position with associated liabilities for margin (see the section on Futures below). If the purchased options expire worthless, the purchaser will suffer a total loss of the investment. In purchasing deep out-of-the-money options, the purchaser should be aware that the chance of such options becoming profitable ordinarily is remote.

- Selling ("writing" or "granting") an option generally entails considerably greater risk than purchasing options. Although the premium received by the seller is fixed, the seller may sustain a loss well in excess of that amount. The seller will be liable for additional margin to maintain the position if the market moves unfavorably. The seller will also be exposed to the risk of the purchaser exercising the option and the seller being obligated to either settle the option in cash or to acquire or deliver the underlying interest. If the option is on a future, the seller will acquire a position in a future with associated liabilities for margin (see the section on Futures below). If the option is "covered" by the seller holding a corresponding position in the underlying interest or a future or another option, the risk may be reduced. If the option is not covered, the risk of loss can be unlimited.
- Certain exchanges in some jurisdictions permit deferred payment of the option premium, exposing the purchaser to liability for margin payments not exceeding the amount of the premium. The purchaser is still subject to the risk of losing the premium and transaction costs. When the option is exercised or expires, the purchaser is responsible for any unpaid premium outstanding at that time.

## ITEM 9 - DISCIPLINARY INFORMATION

We do not have any legal, financial, or other disciplinary item to report.

## ITEM 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

### INSURANCE

Some of our IARs are also licensed insurance agents and sell various life insurance products, long term care and fixed annuities. Our IARs receive compensation (commissions, trails, or other compensation from the respective product sponsors) as a result of effecting insurance transactions for clients. A portion of the time IARs spend, generally 10%, is in connection with these insurance activities and it represents 10% of the ongoing revenue for our IARs. The advisor has an incentive to recommend insurance and this incentive creates a conflict of interest between your interests and our Firm. Clients should note that they have the right to decide whether or not to engage the services of our IARs. Further, clients should note they have the right to decide whether to act on the recommendations and the right to choose any professional to execute the advice for any insurance products through our IAR or any licensed insurance agent not affiliated with our Firm. We recognize the fiduciary responsibility to place your interests first and have established policies in this regard to avoid any conflicts of interest.

### BROKER DEALER

Neither JHC, nor any of its managers or employees, is a broker-dealer, registered representative of a broker-dealer, futures commission merchant, commodity pool operator, commodity trading advisor, or an associated person of the foregoing entities.

Our Firm nor any of its management persons are registered or have an application pending to register as a broker-dealer or a registered representative of a broker-dealer. Our Firm does not have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading adviser, or an associated person of the foregoing entities.



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**SUB-ADVISOR RELATIONSHIPS**

Please refer to Item 4 and Item 5 above for more information about the selection of sub-advisors used with our services. Our Firm pays a portion of the advisory fee to the sub-advisor. A conflict of interest for our firm in utilizing a sub-advisor is receipt of discounts or services not available to us from other similar sub-advisors. To minimize this conflict our firm will make our recommendations and selections of sub-advisors in the best interest of our clients.

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**OTHER AFFILIATIONS**

Other affiliations include:

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**INSURANCE AGENCY AFFILIATIONS**

Some of our IARs are licensed as independent insurance agents with the ability to sell certain insurance policies and products (e.g., life insurance, health insurance, long-term care insurance, and annuities). Such insurance agents will earn commissions from selling insurance policies and products to our clients. In addition, such insurance agents have the opportunity to receive additional cash and non-cash compensation (1) from field marketing organizations (“FMOs”), including but not limited to, website development, editorial and publication development, print materials, various mailing support, travel to/from industry events and social media ad placement, as a result of routing insurance product transactions through such FMOs, and (2) from insurance companies if certain annual sales targets are hit, which are sometimes referred to as “loyalty programs”.

Our Firm receives compensation in connection with the sale of insurance policies and products (fixed annuities, indexed annuities, variable annuities, and variable universal life insurance). Insurance commissions earned in this manner are separate from, and in addition to, our advisory fees for Investment Management Services. The sale of insurance policies and products and the receipt of additional cash and non-cash compensation from FMOs presents a conflict of interest because individuals providing investment advice on behalf of our firm who are licensed insurance agents have an incentive to recommend insurance policies and products to clients for the purpose of generating commissions and compensation rather than solely based on clients’ needs. We recognize the fiduciary responsibility to place your interests first and have established policies in this regard to avoid any conflicts of interest. Clients should note that they have the right to decide whether to engage the services of our IARs. Further, clients should note they have the right to decide whether to act on the recommendations and the right to choose any professional to execute the advice for any insurance products through our IAR or any licensed insurance agent not affiliated with our Firm.

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**ON-AIR PERSONALITY**

Jonathan Hicks has a weekly radio show on 840 WHAS, where he discusses current financial topics and celebrity interviews. He also makes weekly television appearances on ABC/WHAS11 where he discusses topics related to finances and retirement planning. Jonathan also has appearances on WLKY, CBS, WAVE3 NBC. No compensation is received for the media appearances.

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**OWNER OF J. HAGAN CAPITAL, INC.**

Mr. Hicks is the owner of J. Hagan Capital LLC. From time to time, he may refer advisory clients for tax or legal guidance or provide products from those activities. Clients should be aware that these

services may involve a conflict of interest. JHC always acts in the best interest of the client and clients always have the right to decide whether to utilize the services of any representative of JHC in such individuals outside capacities.

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**MEMBER OF IVY CAPITAL MANAGEMENT, LLC**

Jonathan Hicks is a member of Ivy Capital Management, LLC. Ivy Capital Management's goal is to acquire existing businesses and increase value through improvements in management, increased profitability and enhancing marketing effectiveness. His responsibilities include identifying potential businesses to acquire; performing due diligence and putting management systems in place to generate long-term gains.

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**MEMBER OF FEDERALIST HOLDINGS, LLC**

Jonathan Hicks is a member of Federalist Holdings, LLC. Federalist Holdings, LLC is a private real estate holding company. His responsibilities include acquisition and management of real estate.

## **ITEM 11 - CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

Our Firm and persons associated with us are allowed to invest for their own accounts, or to have a financial investment in the same securities or other investments that we recommend or acquire for your account and may engage in transactions that are the same as or different than transactions recommended to or made for your account. This creates a conflict of interest. We recognize the fiduciary responsibility to act in your best interest and have established policies to mitigate conflicts of interest.

We have developed and implemented a Code of Ethics that sets forth standards of conduct expected of our advisory personnel to mitigate this conflict of interest. The Code of Ethics addresses, among other things, personal trading, gifts, and the prohibition against the use of inside information.

The Code of Ethics is designed to protect our clients to detect and deter misconduct, educate personnel regarding the Firm's expectations and laws governing their conduct, remind personnel that they are in a position of trust and must act with complete propriety at all times, protect the reputation of JHC, safeguard against the violation of the securities laws, and establish procedures for personnel to follow so that we may determine whether their personnel are complying with the Firm's ethical principles.

We have established the following restrictions to ensure our Firm's fiduciary responsibilities:

- No supervised employee of JHC shall prefer his or her own interest to that of the advisory client. Trades for supervised employees are traded alongside client accounts.
- We maintain a list of all securities holdings of anyone associated with this advisory practice with access to advisory recommendations. These holdings are reviewed on a regular basis by an appropriate officer/individual of JHC.
- We emphasize the unrestricted right of the client to decline implementation of any advice rendered, except in situations where we are granted discretionary authority of the client's account.
- We require that all supervised employees act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
- Any supervised employee not in observance of the above may be subject to termination.

None of our associated persons may affect for himself/herself or for accounts in which he/she holds a beneficial interest, any transactions in a security which is being actively recommended to any of our clients, unless in accordance with the Firm's procedures.

You may request a complete copy of our Code by contacting us at the address, telephone, or email on the cover page of this Part 2; ATTN: Jonathan Hicks, Chief Compliance Officer.

## ITEM 12 - BROKERAGE PRACTICES

For the past several years, our Firm has participated in the TD Ameritrade Institutional program. TD Ameritrade Institutional is a division of TD Ameritrade, Inc. ("TD Ameritrade") member FINRA/SIPC. TD Ameritrade is presently an independent and unaffiliated SEC-registered broker-dealer but has recently been acquired by Charles Schwab & Co. Inc., "Schwab". TD Ameritrade offers services to independent investment advisors that include custody of securities, trade execution, clearance, and settlement of transactions. Advisor receives some benefits from TD Ameritrade through its participation in the program. (Please see the disclosure under Item 14 below.) Our Firm will be transitioning to Schwab. During our transition to Schwab, new clients will be onboarded to the Schwab platform, while existing clients will remain on the TD platform until a pre-announced turnover date, in order to assure the smoothest transition. Schwab's Brokerage Services In addition to the advisory services, the wrap fee program includes certain brokerage services of Charles Schwab & Co., Inc. ("Schwab") a broker-dealer registered with the Securities and Exchange Commission and a member of FINRA and SIPC. We are independently owned and operated and not affiliated with Schwab. Schwab will act solely as a broker-dealer and not as an investment advisor to you. It will have no discretion over your account and will act solely on instructions it receives from us or you. Schwab has no responsibility for our services and undertakes no duty to you to monitor our firm's management of your account or other services we provide to you. Schwab will hold your assets in a brokerage account and buy and sell securities and execute other transactions when we, or you, instruct them to. We do not open the account for you. (Please see the disclosure under Item 14 below.)

Our Firm does not maintain custody of your assets on which we advise, although we may be deemed to have custody of your assets if you give us authority to withdraw assets from your account (see Item 15—Custody, below). Your assets must be maintained in an account at a "qualified custodian," generally a broker-dealer or bank. We require that our clients use TD Ameritrade (TD) or Charles Schwab & Co., Inc. (Schwab), a registered broker-dealer, member SIPC, as the qualified custodian.

We are independently owned and operated and are not affiliated with either TD or Schwab. Either TD or Schwab will hold your assets in a brokerage account and buy and sell securities when we instruct them to. While we require that you use either TD or Schwab as custodian/broker, you will decide whether to do so and will open your account with TD or Schwab by entering into an account agreement directly with them. Conflicts of interest associated with this arrangement are described below as well as in Item 14 (Client referrals and other compensation). You should consider these conflicts of interest when selecting your custodian.

We do not open the account for you, although we may assist you in doing so. If you do not wish to place your assets with TD or Schwab, then we cannot manage your account. Even though your account is maintained at TD or Schwab, and we anticipate that most trades will be executed through TD or Schwab, we can still use other brokers to execute trades for your account as described below.

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## **HOW WE SELECT BROKERS/CUSTODIANS**

We seek to use TD and Schwab, custodians/brokers that will hold your assets and execute transactions. When considering whether the terms that TD or Schwab provide are, overall, most advantageous to you when compared with other available providers and their services, we take consider a wide range of factors, including:

- Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
- Capability to execute, clear, and settle trades (buy and sell securities for your account)
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds, ETFs, etc.)
- Availability of investment research and tools that assist us in making investment decisions.

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## **QUALITY OF SERVICES**

- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices.
- Reputation, financial strength, security, and stability.
- Prior service to us and our clients.
- Services delivered or paid for by TD or Schwab.
- Availability of other products and services that benefit us, as discussed below (see “Products and services available to us from Schwab”).

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## **YOUR BROKERAGE AND CUSTODY COSTS**

For our clients’ accounts that TD or Schwab maintains, neither TD nor Schwab generally charges you separately for custody services but are compensated by charging you commissions or other fees on trades that it executes or that settle into your TD or Schwab account. Certain trades (for example, many mutual funds and ETFs) may not incur TD or Schwab commissions or transaction fees. TD and Schwab are also compensated by earning interest on the uninvested cash in your account.

Although we are not required to execute all trades through either TD or Schwab, we have determined that having TD or Schwab execute most trades is consistent with our duty to seek “best execution” of your trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above (see “How we select brokers/custodians”). By using another broker or dealer you may pay lower transaction costs.

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## **PRODUCTS AND SERVICES AVAILABLE TO US FROM SCHWAB:**

Schwab Advisor Services™ is Schwab’s business serving independent investment advisory firms like us. They provide us and our clients with access to their institutional brokerage services (trading, custody, reporting, and related services), many of which are not typically available to Schwab retail customers. However, certain retail investors may be able to get institutional brokerage services from Schwab without going through us.

Schwab also makes available various support services. Some of those services help us manage or administer our clients' accounts, while others help us manage and grow our business. Schwab's support services are generally available on an unsolicited basis (we don't have to request them) and at no charge to us. Following is a more detailed description of Schwab's support services:

Services that benefit you. Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets.

The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients.

Schwab's services described in this paragraph generally benefit you and your account.

Services that do not directly benefit you. Schwab also makes available to us other products and services that benefit us but do not directly benefit you or your account. These products and services assist us in managing and administering our clients' accounts and operating our firm. They include investment research, both Schwab's own and that of third parties. We use this research to service all or a substantial number of our clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- Provide access to client account data (such as duplicate trade confirmations and account statements)
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts.
- Provide pricing and other market data.
- Facilitate payment of our fees from our clients' accounts.
- Assist with back-office functions, recordkeeping, and client reporting.

Services that generally benefit only us. Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:

- Educational conferences and events.
- Consulting on technology and business needs.
- Consulting on legal and related compliance needs.
- Publications and conferences on practice management and business succession.
- Access to employee benefits providers, human capital consultants, and insurance providers.
- Marketing consulting and support.

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#### **OUR INTEREST IN SCHWAB'S SERVICES**

We believe that taken in the aggregate, our recommendation of Schwab or TD as custodian and broker is in the best interests of our clients. Our selection is primarily supported by the scope, quality, and price of Schwab's and TD's services (see "How we select brokers/ custodians") and not Schwab's nor TD's services that benefit only us.

There is no direct link between our participation in the program and the investment advice we give to our clients, although we receive economic benefits through our participation in the program that are typically not available to any other independent investment advisors participating in the program. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate

Client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving advisor participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts); the ability to have advisory fees deducted directly from Client accounts; access to an electronic communications network for Client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to us by third party vendors. TD Ameritrade or Schwab may also have paid for business consulting and professional services received by some of our related persons. Some of the products and services made available by TD Ameritrade or Schwab through the program may benefit us but may not benefit your account. These products or services may assist us in managing and administering your account, including accounts not maintained at TD Ameritrade or Schwab. Other services made available by TD Ameritrade or Schwab are intended to help us manage and further develop our business enterprise. The benefits received by our firm or our personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade or Schwab. As part of our fiduciary duties to clients, we always endeavor to put the interests of our clients first. You should be aware, however, that the receipt of economic benefits by our Firm or our related persons in and of itself creates a conflict of interest and may indirectly influence our choice of TD Ameritrade or Schwab for custody and brokerage services.

In the event you request us to recommend a broker/dealer custodian for execution and/or custodial services, we generally recommend your account to be maintained at TD or Schwab. We may recommend that you establish accounts with TD or Schwab to maintain custody of your assets and to effect trades for your accounts. You are under no obligation to act upon any recommendations, and if you elect to act upon any recommendations, you are under no obligation to place the transactions through any broker/dealer we recommend. Our recommendation is generally based on the broker's cost and fees, skills, reputation, dependability, and compatibility with the client. You may be able to obtain lower commissions and fees from other brokers and the value of products, research and services given to us is not a factor in determining the selection of broker/dealer or the reasonableness of their commissions.

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#### **DIRECTED BROKERAGE**

We do not routinely recommend, request, or require that you direct us to execute transaction through a specified broker dealer. Additionally, we typically do not permit you to direct brokerage. We place trades for your account subject to our duty to seek best execution and other fiduciary duties.

### **ITEM 13 - REVIEW OF ACCOUNTS**

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#### **ACCOUNT REVIEWS AND REVIEWERS – INVESTMENT SUPERVISORY SERVICES**

Our Investment Adviser Representatives will monitor client accounts on a regular basis and perform annual reviews with each client. All accounts are reviewed for consistency with client investment strategy, asset allocation, risk tolerance, and performance relative to the appropriate benchmark. More frequent reviews may be triggered by changes in an account holder's personal, tax, or financial status. Geopolitical and macroeconomic specific events may also trigger reviews.

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## STATEMENTS AND REPORTS

The custodian for the individual client's account will provide clients with an account statement at least monthly. Upon request, clients can receive a prepared written report detailing their current positions, asset allocation, and year-to-date performance provided by our Firm.

You are urged to compare the reports provided by JHC against the account statements you receive directly from your account custodian.

- **Selection and Monitoring of Sub-Advisors:** If you have an account with us that is managed by a third-party through the Envestnet Asset Management, Inc. Separate Account Program, we typically review your account holdings weekly to ensure that your account remains within reasonable variances of the asset allocation targets and investment models in place.
- **Financial Planning Services:** Your review will be conducted by your assigned Investment Advisor. We realize that events and circumstances could change dramatically in between normal reviews. Therefore, if you experience a life event that might necessitate an early review of your Financial Plan, please let us know and we will be happy to schedule a more frequent review. Such an event might include a marriage, divorce, birth of a child, death or disability of an immediate family member, impending retirement, employment status, or you bought or sold a business. We also encourage you to ask us if you have any questions about your Financial Plan or the reports that we generate.

## ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION

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### CLIENT REFERRALS

We pay referral fees to independent promoters for the referrals of their clients to our Firm in accordance with Rule 206 (4)-3 of the Investment Advisers Act of 1940. Such referral fees represent a share of our investment advisory fee charged to our clients. This arrangement will not result in higher costs to you. In this regard, we maintain Promoters Agreements in compliance with Rule 206 (4)-3 of the Investment Advisers Act of 1940 and applicable state and federal laws. All clients referred by Promoters to our Firm will be given a full written disclosure describing the terms and fee arrangements between our Firm and Promotor(s). In cases where state law requires licensure of promoters, we ensure that no referral fees are paid unless the Promotor is registered as an investment adviser representative of our Firm. The Promotor will not provide clients with any investment advice on behalf of our Firm.

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### NON-CASH REFERRAL ARRANGEMENTS:

Our Firm may be asked to recommend a financial professional, such as an attorney, accountant, or mortgage broker. In such cases, our Firm does not receive any direct compensation in return for any referrals made to individuals or firms in our professional network. Clients must independently evaluate these firms or individuals before engaging in business with them and clients have the right to choose any financial professional to conduct business. Individuals and firms in our financial professional network may refer clients to our Firm. Again, our Firm does not pay any direct compensation in return for any referrals made to our Firm. Our Firm does recognize the fiduciary responsibility to place your interests first and have established policies in this regard to mitigate any conflicts of interest.

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**LEAD GENERATION**

We pay a flat fee to participate in an online matching program that seeks to match prospective advisory clients with investment advisers. The program, which is operated by Advisor RPM, provides information about investment advisory firms to persons who have expressed an interest in such firms. The program also provides the name and contact information of such persons to the advisory firms as potential leads. The flat fee we pay for being provided with potential leads varies based on certain factors, including the size of the person's portfolio, and the fee is payable regardless of whether the prospect becomes our advisory client.

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**BROKERAGE PRACTICES**

As disclosed under Item 12 Brokerage Practices, we participate in TD Ameritrade's institutional customer program, and we may recommend TD Ameritrade to you for custody and brokerage services. There is no direct link between our participation in the program and the investment advice we give to our clients, although we receive economic benefits through our participation in the program that are typically not available to any other independent Investment Advisors participating in the program. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate Client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving advisor participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts); the ability to have advisory fees deducted directly from Client accounts; access to an electronic communications network for Client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to us by third-party vendors. TD Ameritrade may also have paid for business consulting and professional services received by some of our related persons. Some of the products and services made available by TD Ameritrade through the program may benefit us but may not benefit your account. These products or services may assist us in managing and administering your account, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help us manage and further develop our business enterprise. The benefits received by our Firm or our personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of our fiduciary duties to clients, we always endeavor to put the interests of our clients first. You should be aware, however, that the receipt of economic benefits by our Firm or our related persons in and of itself creates a conflict of interest and may indirectly influence our choice of TD Ameritrade for custody and brokerage services.

Our Firm also receives from TD Ameritrade certain additional economic benefits ("Additional Services") that may or may not be offered to any other independent investment Advisors participating in the program. TD Ameritrade provides the Additional Services to our Firm in its sole discretion and at its own expense. Our Firm does not pay any fees to TD Ameritrade for Additional Services.

Our Firm's receipt of Additional Services raises potential conflicts of interest. In providing Additional Services to our Firm, TD Ameritrade most likely considers the amount and profitability to TD Ameritrade of the assets in, and trades placed for, our Firm's Client accounts maintained with TD Ameritrade. TD Ameritrade has the right to terminate the Additional Services Addendum with our Firm, in its sole discretion, provided certain conditions are met. Consequently, to continue to obtain the Additional Services from TD Ameritrade, our Firm may have an incentive to recommend to its Clients that the assets under management by our Firm be held in custody with TD Ameritrade and to place transactions for Client accounts with TD



Ameritrade. Our Firm's receipt of Additional Services does not diminish its duty to act in the best interests of its Clients, including to seek best execution of trades for Client accounts.

## ITEM 15 – CUSTODY

Custody, as it applies to investment advisors, has been defined by regulators as having access or control over client funds and/or securities. In other words, custody is not limited to physically holding client funds and securities. If an investment advisor has the ability to access or control client funds or securities, the investment advisor is deemed to have custody and must ensure proper procedures are implemented.

While our firm does not maintain physical custody of client assets (which are maintained by a qualified custodian, as discussed above), we are deemed to have custody of certain client assets if given the authority to withdraw assets from client accounts, as further described below under "Standing Instructions". All our clients receive account statements directly from their qualified custodian(s) at least quarterly upon opening of an account. We urge our clients to carefully review these statements. Additionally, if our firm decides to send its own account statements to clients, such statements will include a legend that recommends the client compare the account statements received from the qualified custodian with those received from our firm. Clients are encouraged to raise any questions with us about the custody, safety or security of their assets and our custodial recommendations.

The SEC issued a no-action letter ("Letter") with respect to the Rule 206(4)-2 ("Custody Rule") under the Investment Advisers Act of 1940 ("Advisers Act"). The letter provided guidance on the Custody Rule as well as clarified that an adviser who has the power to disburse client funds to a third-party under a standing letter of instruction ("SLOA") is deemed to have custody. As such, our Firm has adopted the following safeguards in conjunction with our custodians:

- The client provides an instruction to the qualified custodian, in writing, that includes the client's signature, the third-party's name, and either the third-party's address or the third-party's account number at a custodian to which the transfer should be directed.
- The client authorizes the investment adviser, in writing, either on the qualified custodian's form or separately, to direct transfers to the third-party either on a specified schedule or from time to time.
- The client's qualified custodian performs appropriate verification of the instruction, such as a signature review or other method to verify the client's authorization and provides a transfer of funds notice to the client promptly after each transfer.
- The client has the ability to terminate or change the instruction to the client's qualified custodian.
- The investment adviser has no authority or ability to designate or change the identity of the third-party, the address, or any other information about the third-party contained in the client's instruction.
- The investment adviser maintains records showing that the third party is not a related party of the investment adviser or located at the same address as the investment adviser.
- The client's qualified custodian sends the client, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.

JHC is deemed to have custody of client funds and securities whenever our Firm is given the authority to have fees deducted directly from client accounts. However, this is the only form of custody our Firm will

ever maintain. It should be noted that authorization to trade in client accounts is not deemed by regulators to be custody.

Account statements are delivered directly from the qualified custodian to each client, or the client's independent representative, at least quarterly. You should carefully review those statements and are urged to compare the statements against reports received from JHC. When you have questions about your account statements, you should contact JHC or the qualified custodian preparing the statement.

## **ITEM 16 – INVESTMENT DISCRETION**

For discretionary accounts, prior to engaging JHC to provide investment advisory services, you will enter a written Agreement with us granting the Firm the authority to supervise and direct, on an on-going basis, investments in accordance with the client's investment objective and guidelines. In addition, you will need to execute additional documents required by the custodian to authorize and enable JHC, in its sole discretion, without prior consultation with or ratification by you, to purchase, sell, or exchange securities in and for your accounts. We are authorized, in our discretion and without prior consultation with you to: (1) buy, sell, exchange and trade any stocks, bonds or other securities or assets and (2) determine the amount of securities to be bought or sold, and (3) place orders with the custodian. Any limitations to such discretionary authority will be communicated to our Firm in writing by you, the client.

The limitations on investment and brokerage discretion held by JHC for you are:

- For discretionary accounts, we require that we be provided with authority to determine which securities and the amounts of securities to be bought or sold.
- Any limitations on this discretionary authority shall in writing as indicated on the Investment advisory Agreement. You may change/amend these limitations as required.

In some instances, we may not have discretion. We will discuss all transactions with you prior to execution or you will be required to make the trades in an employer sponsored account.

## **ITEM 17 – VOTING CLIENT SECURITIES**

Our Firm does not vote proxies on your behalf. You are welcome to vote proxies or designate an independent third-party at your own discretion. You designate proxy voting authority in the custodial account documents. You must ensure that proxy materials are sent directly to you or your assigned third-party. We do not act with respect to any securities or other investments that become the subject of any legal proceedings, including bankruptcies. Clients can contact our office with questions about a particular proxy solicitation by phone at 502-690-5635.

## **ITEM 18 – FINANCIAL INFORMATION**

Our Firm does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. Therefore, we are not required to include a balance sheet for our most recent fiscal year. We are not subject to a financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients. Finally, we have not been the subject of a bankruptcy petition at any time.