

# Richard Brothers, Financial Advisors

CRD #: 113826

## **ADV Part 2A, Firm Brochure** **Dated: March 31, 2021**

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**This brochure provides information about the qualifications and business practices of Richard Brothers, Financial Advisors. If you have any questions about the contents of this brochure, please contact us at (207) 879-2352 or [rrichard@richardbrothersfinancial.com](mailto:rrichard@richardbrothersfinancial.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 Richard Brothers, Financial Advisors also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**References herein to Richard Brothers, Financial Advisors as a "licensed investment adviser" or any reference to being "licensed" does not imply a certain level of skill or training.**

## **Item 2           Material Changes**

Since Richard Brothers, Financial Advisors last updated this brochure as part of its annual updating amendment made on March 25, 2020, it has been materially amended as follows:

- Richard Brothers, Financial Advisors’ affiliated broker-dealer no longer stands to receive any fees in connection with mutual funds or money market funds held by client accounts. We have updated this brochure throughout to reflect this change.

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## **Item 4            Advisory Business**

- A. Richard Brothers, Financial Advisors is a corporation formed on September 30, 1996 in the State of Maine. Richard Brothers, Financial Advisors became licensed as an Investment Adviser Firm in 2002. Richard Brothers, Financial Advisors' full legal name is Allegiance Financial Group, Inc. However, Richard Brothers, Financial Advisors' primary business name is Richard Brothers, Financial Advisors. Richard Brothers, Financial Advisors is owned by Neal Patrick Richard and Randall Jon Richard. Randall Jon Richard is Richard Brothers, Financial Advisors' President and Chief Compliance Officer. Allegiance Capital, L.L.C., d/b/a Richard Brothers Securities (broker dealer and FINRA Member) is an affiliated broker dealer.
- B. As discussed below, Richard Brothers, Financial Advisors offers to its clients (individuals, business entities, trusts, estates and charitable organizations, etc.) investment advisory services, and, to the extent specifically requested by a client, financial planning and related consulting services.

### **RICHARD BROTHERS WRAP FEE PROGRAM**

Richard Brothers, Financial Advisors provides investment advisory services on a wrap fee basis in accordance with Richard Brothers, Financial Advisors' wrap fee program (the "Program"). Under the Program, Richard Brothers, Financial Advisors is able to offer participants discretionary investment management services, for a single specified annual Program fee, inclusive of trade execution, custody, reporting, and investment advisory fees.

The Wrap Fee Program Brochure is incorporated into this Brochure by reference. All prospective Program participants should read both Richard Brothers, Financial Advisors' Brochure and the Wrap Fee Program Brochure, and ask any corresponding questions that they may have, prior to participation in the Program. Richard Brothers Securities serves as an introducing broker for all accounts opened under the Program. Additional information about this relationship, the conflicts of interest, and fees received by Richard Brothers Securities is set forth in Item 5.

Clients in the Program stand to receive Whole Picture Planning, which is Richard Brothers, Financial Advisors approach to financial planning. Clients may take advantage of financial planning that address one or more of the following five topics: (1) retirement security, (2) business transition, (3) estate protection, (4) education funding, and (5) income sources.

Pershing LLC ("Pershing") serves as the custodian for Program accounts

Participation in the Program may cost more or less than purchasing such services separately. The Program fee charged by Richard Brothers, Financial Advisors for participation in the Program may be higher or lower than fees charged by other sponsors of comparable wrap fee programs.

Richard Brothers, Financial Advisors 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 objectives. Thereafter, Richard Brothers, Financial Advisors will allocate and/or recommend that the client allocate investment assets consistent with their designated investment objectives. Richard Brothers, Financial Advisors primarily allocates client investment assets among various open and closed end registered investment companies on a discretionary and non-

discretionary basis in accordance with the client's designated investment objectives. Once allocated, Richard Brothers, Financial Advisors provides ongoing monitoring and review of account performance, asset allocation and client investment objectives.

#### **LIMITED NON-WRAP FEE, NON-DISCRETIONARY PROGRAM**

Richard Brothers, Financial Advisors provides limited non-wrap fee non-discretionary advisory services only upon specific request of certain clients. These limited non-wrap fee non-discretionary services are provided only to clients at their specific request who are not charged the standard advisory fee and who receive limited services for the fee charged. The services include a quarterly call with the client to determine if there are any financial needs or issues, followed by an annual meeting to then thoroughly review and implement the client's investment objectives(s) and financial plan. Richard Brothers, Financial Advisors will coordinate with the client's accountant regarding tax information, if necessary. Richard Brothers, Financial Advisors does not regularly review or manage the client's assets nor does it provide ongoing financial planning or trading of these assets. Richard Brothers, Financial Advisors facilitates trades only upon the specific request of the client. Prior to engaging Richard Brothers, Financial Advisors to provide investment advisory services, clients are required to enter into an *Investment Advisory Agreement* with Richard Brothers, Financial Advisors 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.

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

To the extent requested by a client, Richard Brothers, Financial Advisors *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. Prior to engaging Richard Brothers, Financial Advisors to provide planning or consulting services, clients are generally required to enter into a Financial Planning Agreement with Richard Brothers, Financial Advisors setting forth the scope of the services to be provided. If requested by the client, Richard Brothers, Financial Advisors may recommend the services of other professionals for implementation purposes, including Richard Brothers, Financial Advisors' representatives in their individual capacities as registered representatives of Richard Brothers Securities or as licensed insurance agents. (*See* disclosure at Item 10 C). The client is under no obligation to engage the services of any recommended professional. The client retains absolute discretion over all implementation decisions and is free to accept or reject any recommendation from Richard Brothers, Financial Advisors. If the client engages any recommended professional, and a dispute arises, the client agrees to seek recourse exclusively from the engaged professional. Each client is responsible to notify promptly Richard Brothers, Financial Advisors if there is ever any change in their financial situation or investment objectives so that Richard Brothers, Financial Advisors can review, and if necessary, revise its previous advice. Financial planning can be added to the Program fee for a flat fee, paid quarterly. Richard Brothers, Financial Advisors has the sole discretion to determine if it has or will be expected to provide too much financial planning under the Program agreement and will then require the client enter into a separate financial planning agreement.

#### **RETIREMENT CONSULTING**

Richard Brothers, Financial Advisors also provides non-discretionary pension consulting services, pursuant to which it assists sponsors of self-directed retirement plans with the selection and/or monitoring of investment alternatives (generally open-end mutual funds) from which plan participants shall choose in self-directing the investments for their

individual plan retirement accounts. In addition, to the extent requested by the plan sponsor, Richard Brothers, Financial Advisors shall also provide participant education designed to assist participants in identifying the appropriate investment strategy for their retirement plan accounts. The terms and conditions of the engagement shall generally be set forth in a *Retirement Plan Consulting Agreement* between Richard Brothers, Financial Advisors and the plan sponsor.

## **VARIABLE ANNUITY ADVISORY PROGRAM**

The client can also engage Richard Brothers, Financial Advisors to provide discretionary investment advisory services through its Variable Annuity Advisory Program (the “VA Program”). Under the VA Program, Richard Brothers, Financial Advisors allocates client investment assets on a discretionary basis among the investment sub accounts of variable annuity products previously purchased by the client. Richard Brothers, Financial Advisors generally proposes allocations to individual equity and fixed income investments, exchange traded funds, and mutual funds, consistent with the client’s designated investment objectives. Once allocated, Richard Brothers, Financial Advisors provides ongoing monitoring and review of sub-account performance, asset allocation, and client investment objectives. The variable annuity issuer may provide limitations on the frequency or manner in which Richard Brothers, Financial Advisors employees may trade in the account, and its advice and trading may be more limited than in the Program.

Richard Brothers, Financial Advisors charges advisory fees on products that are placed through Richard Brothers Securities. Such fees are charged directly to the client and are not debited from the annuity product purchased. Such fees will result in an increase in Richard Brothers, Financial Advisors revenues and a may result in a decrease in the market value of the client’s asset regardless of account performance. Prior to any purchase, all annuities are reviewed for suitability for the specific client by Richard Brothers Securities. No client is under any obligation to purchase a variable annuity from Richard Brothers Securities.

## **MISCELLANEOUS**

**Limitations of Financial Planning and Non-Investment Consulting/Implementation Services.** As indicated above, to the extent requested by the client, Richard Brothers, Financial Advisors may provide financial planning and related consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance planning. This may be through Whole Picture Planning or through one of our other services. Richard Brothers, Financial Advisors does not provide legal or tax advice, and no portion of its services should be construed as legal or accounting services. Accordingly, Richard Brothers, Financial Advisors does not prepare estate planning documents or tax returns. To the extent requested by a client, Richard Brothers, Financial Advisors may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance agents), including representatives of Richard Brothers, Financial Advisors in their separate individual capacities as representatives of Richard Brothers Securities, an SEC registered and FINRA member broker-dealer. The client is under no obligation to engage the services of any recommended professional. The client retains absolute discretion over all implementation decisions and is free to accept or reject any recommendation from Richard Brothers, Financial Advisors or its representatives. If the client engages any recommended unaffiliated professional, and a dispute arises, the client agrees to seek recourse exclusively from the engaged professional. The recommendation by Richard Brothers, Financial Advisors’ representative that a client purchase a securities or insurance commission product through a Richard Brothers, Financial Advisors’ representative as a registered

representative of Richard Brothers Securities, presents a conflict of interest, as the receipt of commissions provides an incentive to recommend investment products based on the commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase any securities or insurance commission products through Richard Brothers Securities or through a representative of Richard Brothers, Financial Advisors. Clients are reminded that they may purchase securities and insurance products recommended by Richard Brothers, Financial Advisors through other, non-affiliated broker-dealers. Richard Brothers, Financial Advisors' Chief Compliance Officer, Randall J. Richard, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.

**Retirement Rollovers.** 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 Richard Brothers, Financial Advisors recommends that a client roll over their retirement plan assets into an account to be managed by Richard Brothers, Financial Advisors, such a recommendation creates a conflict of interest if Richard Brothers, Financial Advisors will earn an advisory fee on the rolled over assets. No client is under any obligation to roll over retirement plan assets to an account managed by Richard Brothers, Financial Advisors. Richard Brothers, Financial Advisors' Chief Compliance Officer, Randall J. Richard, remains available to address any questions that a client or prospective client may have regarding the conflict of interest presented by rollover recommendations.

**Non-Discretionary Service Limitations.** Clients that determine to engage Richard Brothers, Financial Advisors on a non-discretionary investment advisory basis must be willing to accept that Richard Brothers, Financial Advisors cannot effect any account transactions without obtaining prior consent to such transaction(s) from the client. Thus, in the event that Richard Brothers, Financial Advisors 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, Richard Brothers, Financial Advisors will be unable to effect the account transaction(s) (as it would for its discretionary clients) without first obtaining the client's consent.

**Independent Managers.** Richard Brothers, Financial Advisors may select one or more independent investment managers or recommend to a client to invest using an independent investment manager in accordance with the client's designated investment objectives (each an "Independent Manager"). In these situations, the Independent Manager will have the day-to-day responsibility for the discretionary management of the assets allocated to it. Richard Brothers, Financial Advisors will continue to monitor and review the client's account performance, asset allocation and investment objectives. Factors which Richard Brothers, Financial Advisors considers in recommending an Independent Manager include the client's designated investment objective(s), and the Independent Manager's management style, performance, reputation, financial strength, reporting capabilities, pricing structure, and published research. The investment management fee charged by the Independent Manager is in addition to, Richard Brothers, Financial Advisors' advisory fee outlined in Item 5. This may result in a fee that is greater than the fees imposed by other investment advisors.

**Unaffiliated Private Investment Funds.** Richard Brothers, Financial Advisors may provide investment advice regarding unaffiliated private investment funds. Richard

Brothers, Financial Advisors, on a non-discretionary basis, may also recommend that certain qualified clients consider an investment in unaffiliated private investment funds. Richard Brothers, Financial Advisors' role is limited to the initial and ongoing due diligence of the investment. If a client determines to become a private fund investor, the amount of assets invested in the fund will be included as part of "assets under management" for purposes of Richard Brothers, Financial Advisors calculating its investment advisory fee. Richard Brothers, Financial Advisors' clients are under absolutely no obligation to consider or make an investment in a private investment fund.

Private investment funds generally involve various risk factors, including, but not limited to, potential for complete loss of principal, liquidity constraints and lack of transparency, a complete discussion of which is set forth in each fund's offering documents, which will be provided to each client for review and consideration. Unlike liquid investments that a client may own, private investment funds do not provide daily liquidity or pricing. Each prospective client investor will be required to complete a Subscription Agreement, pursuant to which the client shall provide Richard Brothers, Financial Advisors sufficient information to establish that he/she is qualified for investment in the fund, and acknowledges and accepts the various risk factors that are associated with such an investment.

In the event that Richard Brothers, Financial Advisors references private investment funds owned by the client on any supplemental account reports prepared by Richard Brothers, Financial Advisors, the value for all private investment funds owned by the client will reflect the most recent valuation provided by the fund sponsor, which in certain circumstances can be the initial purchase price. The client's advisory fee will be based on the valuation provided by the fund sponsor.

**Trade Error Policy.** Richard Brothers, Financial Advisors shall reimburse accounts for losses resulting from Richard Brothers, Financial Advisors' trade errors, and shall credit accounts for such errors resulting in market gains. The gains and losses are first reconciled within Richard Brothers, Financial Advisors' custodian firm account.

**Client Obligations.** Richard Brothers, Financial Advisors will not be required to verify any information received from the client or from the client's other professionals and is expressly authorized to rely on the information in its possession. Clients are responsible for promptly notifying Richard Brothers, Financial Advisors if there is ever any change in their financial situation or investment objectives so that Richard Brothers, Financial Advisors can review, and if necessary, revise its previous recommendations or services.

- C. Richard Brothers, Financial Advisors shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will determine each client's investment objectives. Thereafter, Richard Brothers, Financial Advisors will invest or recommend that the client invest their account consistent with their investment objectives. The client may, at any time, impose reasonable restrictions, in writing, on Richard Brothers, Financial Advisors' services.
- D. When managing a client's account on a wrap fee basis, Richard Brothers, Financial Advisors receives as payment for its investment advisory services, the balance of the wrap fee after all other costs incorporated into the wrap fee have been deducted.

- E. As of December 31, 2020, Richard Brothers, Financial Advisors had \$87,394,129 in assets under management on a discretionary basis and \$49,626,088 in assets under management on a non-discretionary basis.

## Item 5 Fees and Compensation

A.

### LIMITED NON-WRAP FEE, NON-DISCRETIONARY PROGRAM

If a client engages Richard Brothers, Financial Advisors to provide its limited non-wrap fee non-discretionary advisory services, Richard Brothers, Financial Advisors charges a flat rate of \$500.00 per year for those services. This fee is paid quarterly in advance.

### RICHARD BROTHERS WRAP PROGRAM FEES

Under the Program, Richard Brothers, Financial Advisors is able to offer participants discretionary investment management services, for a single specified annual Program fee, inclusive of trade execution, custody, reporting, and investment advisory fees. The current annual Program fee is negotiable, depending upon the amount and type of the Program assets, but will not exceed 2.00% and is generally as follows:

PORTFOLIO VALUE	ANNUAL ADVISORY FEE
\$1,000,000 OR LESS	1.85 %
NEXT \$1,000,000	1.65 %
NEXT \$1,000,000	1.40 %
NEXT \$1,000,000	1.25 %
NEXT \$2,000,000	1.00 %
GREATER THAN \$6,000,000	0.75 %

Richard Brothers, Financial Advisors' annual investment advisory fee includes investment advisory services, and, to the **extent specifically requested** by the client, financial planning and consulting services. Richard Brothers, Financial Advisors reserves the right to not provide financial planning and consulting services to clients with less than \$250,000 under its management. In the event that the client requires extraordinary planning or consultation services (to be determined in the sole discretion of Richard Brothers, Financial Advisors), Richard Brothers, Financial Advisors may determine to charge for these additional services, the dollar amount of which shall be set forth in a separate written notice to the client.

### **Disclosure Applicable to Both Programs**

Richard Brothers Securities is an affiliated broker-dealer of Richard Brothers, Financial Advisors which provides introducing broker-dealer services on behalf of Richard Brothers, Financial Advisors and the Program. Richard Brothers Securities is a member of the Financial Industry Regulatory Authority ("FINRA") and the Securities Investor Protection Corporation ("SIPC"). If a client authorizes Richard Brothers, Financial Advisors to use its affiliated introducing broker-dealer, Richard Brothers Securities, to introduce transactions to Pershing, the custodian, for execution on behalf of a client, it will result in compensation to Richard Brothers Securities. The additional compensation generated includes, but is not limited to, ticket charges (for non-Program accounts). See Item 12 for additional information.

The use of Richard Brothers Securities as the introducing broker-dealer presents conflicts of interest and gives Richard Brothers, Financial Advisors an incentive to recommend

investments based on the compensation received, rather than on a client's needs. In order to address conflicts of interest, to the extent mutual funds are used in a client portfolio or variable annuity subaccount, Richard Brothers, Financial Advisors generally recommends no load mutual funds (or if there is a sales charge, also known as a load, Richard Brothers Securities ensures that this charge is waived). Richard Brothers, Financial Advisors manages this conflict by subjecting its selection of securities to an investment committee. It generally selects securities that it believes are appropriate for clients without taking into account if Richard Brothers Securities is compensated for the purchase or sale. Outside of the Program, Richard Brothers, Financial Advisors also has an incentive to trade in order to generate ticket charges for Richard Brothers Securities but also manages this conflict by making investment decisions based on fundamental analysis as opposed to revenue generated for Richard Brothers Securities. The receipt of transaction fee charges by Richard Brothers Securities will not be offset against Richard Brothers, Financial Advisors investment management fees.

**Item 12 further describes this affiliation and the factors that Richard Brothers, Financial Advisors considers in selecting broker-dealers for client transactions.**

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

To the extent specifically requested by a client, Richard Brothers, Financial Advisors may 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. Richard Brothers, Financial Advisors' planning and consulting fees are negotiable, but generally range from \$3,000 to \$20,000 on a fixed fee basis, and from \$150 to \$300 on an hourly rate basis, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s). Financial Planning services can be added to other engagements for a flat fee, paid quarterly. Richard Brothers, Financial Advisors has the sole discretion to determine if and when to charge additional fees under its Program agreement and will then require client to enter into a financial planning agreement.

- B. Clients may elect to have Richard Brothers, Financial Advisors' advisory fees deducted from their custodial account. Both Richard Brothers, Financial Advisors' *Investment Advisory Agreement* and the custodial/clearing agreement may authorize the custodian to debit the account for the amount of Richard Brothers, Financial Advisors' investment advisory fee and to directly remit that advisory fee to Richard Brothers, Financial Advisors in compliance with regulatory procedures. In the limited event that Richard Brothers, Financial Advisors bills the client directly, payment is due upon receipt of Richard Brothers, Financial Advisors' invoice. Richard Brothers, Financial Advisors shall deduct fees and/or bill clients quarterly in advance, based upon the market value of the assets on the last business day of the previous quarter.
- C. As discussed elsewhere in this Brochure, unless the client directs otherwise or an individual client's circumstances require, Richard Brothers, Financial Advisors generally requires that Pershing serve as the broker-dealer for client investment management assets and that Richard Brothers Securities serve as the introducing broker-dealer. Broker-dealers such as Pershing and Richard Brothers Securities charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e. transaction fees are charged for certain mutual funds, commissions are charged for individual equity transactions, and mark-ups and mark-downs are charged for fixed income transactions). In addition, client accounts may invest in mutual funds (including money market funds) and ETFs that have

various internal fees and expenses (i.e. management fees), which are paid by these funds but ultimately borne by clients as a fund shareholder. These internal fees and expenses are in addition to the fees charged by Richard Brothers, Financial Advisors. Clients in the Program will not be separately responsible for these transaction fees or commissions. Clients in the Limited, Non-Wrap Fee, Non-Discretionary Program will be subject to these transaction fees and commissions.

- D. Richard Brothers, Financial Advisors' annual investment advisory fee shall be prorated and paid quarterly, in advance, based upon the market value of the assets on the last business day of the previous quarter. Richard Brothers, Financial Advisors generally requires a minimum annual fee of \$2,000 for investment advisory services. Richard Brothers, Financial Advisors, in its sole discretion, may charge a lesser minimum fee and/or waive or reduce its minimum fee requirement based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

The *Investment Advisory Agreement* between Richard Brothers, Financial Advisors 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, Richard Brothers, Financial Advisors shall refund the pro-rated portion of the advanced advisory fee paid based upon the number of days remaining in the billing quarter.

- E. **Commission Transactions.** In the event that the client desires, the client can engage certain of Richard Brothers, Financial Advisors' representatives, in their capacities as registered representatives of Richard Brother Securities, an SEC registered and FINRA member broker-dealer, to implement investment recommendations on a commission basis. In the event the client chooses to purchase investment products through Richard Brothers, Financial Advisors' representatives as registered representatives of Richard Brothers Securities, Richard Brothers Securities will charge brokerage commissions to effect securities transactions, a portion of which commissions Richard Brothers Securities will pay to Richard Brothers, Financial Advisors' representatives, as applicable. The brokerage commissions charged by Richard Brothers Securities may be higher or lower than those charged by other broker-dealers.
1. **Conflict of Interest:** The recommendation that a client purchase a commission product from Richard Brothers presents a conflict of interest, as the receipt of additional compensation provides an incentive to recommend investments based on compensation to be received, rather than on a particular client's needs. No client is under any obligation to purchase any commission products from Richard Brother Securities and can instruct us not to purchase them. **Richard Brothers, Financial Advisors' Chief Compliance Officer, Randall J. Richard, 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 Richard Brothers, Financial Advisors through other non-affiliated broker dealers or agents.
  3. **Ownership Interest in Richard Brothers Securities.** Randall J. Richard, a Principal of Richard Brothers, Financial Advisors, has an ownership interest in Richard Brothers Securities, an SEC registered and FINRA member broker-dealer.

4. **Conflict of Interest:** The recommendation by Richard Brothers, Financial Advisors that a client purchase a commission product from Richard Brothers Securities presents a material conflict of interest, as the receipt of indirect commission compensation by Randall J. Richard, as an owner of Richard Brothers Securities, provides an incentive to recommend Richard Brothers Securities' investment products, rather than on a particular client's need. **Richard Brothers, Financial Advisors' Chief Compliance Officer, Randall J. Richard, remains available to address any questions that a client or prospective may have regarding the above conflicts of interest.**
5. Richard Brothers, Financial Advisors 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 Richard Brothers, Financial Advisors recommends to its clients.
6. When Richard Brothers, Financial Advisors' representatives sell an investment product on a commission basis, Richard Brothers, Financial Advisors does not charge an advisory fee in addition to the commissions paid by the client for such product. When providing services on an advisory fee basis, Richard Brothers, Financial Advisors' representatives do not also receive commission compensation for rendering advisory services over the same assets.

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

Neither Richard Brothers, Financial Advisors nor any supervised person of Richard Brothers, Financial Advisors accepts performance-based fees.

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

Richard Brothers, Financial Advisors' clients shall generally include individuals, business entities, trusts, estates, charitable organizations, pension and profit sharing plans. For information about fees, see Item 5 above.

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

- A. Richard Brothers, Financial Advisors may utilize the following methods of security analysis:
  - Fundamental - (analysis performed on historical and present data, with the goal of making financial forecasts)
  - Technical – (analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices)

Richard Brothers, Financial Advisors 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)
- Trading (securities sold within thirty (30) days)

- Margin Transactions (use of borrowed assets to purchase financial instruments)

**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 Richard Brothers, Financial Advisors) will be profitable or equal any specific performance level(s).

- B. Richard Brothers, Financial Advisors' 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 Richard Brothers, Financial Advisors must have access to current/new market information. Richard Brothers, Financial Advisors has no control over the dissemination rate of market information; therefore, unbeknownst to Richard Brothers, Financial Advisors, certain analyses may be compiled with outdated market information, severely limiting the value of Richard Brothers, Financial Advisors' 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.

Richard Brothers, Financial Advisors' primary investment strategies - Long Term Purchases, Short Term Purchases, and Trading - 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. Trading, an investment strategy that requires the purchase and sale of securities within a thirty (30) day investment time period, involves a very short investment time period but will incur higher transaction costs when compared to a short term investment strategy and substantially higher transaction costs than a longer term investment strategy.

In addition to the fundamental investment strategies discussed above, Richard Brothers, Financial Advisors may also implement and/or recommend the use of margin transactions. This strategy has a high level of inherent risk. (*See* discussion below).

Margin is an investment strategy with a high level of inherent risk. A margin transaction occurs when an investor uses borrowed assets to purchase financial instruments. The investor generally obtains the borrowed assets by using other securities as collateral for the borrowed sum. The effect of purchasing a security using margin is to magnify any gains or losses sustained by the purchase of the financial instruments on margin. To the extent that a client authorizes the use of margin, and margin is thereafter employed by Richard Brothers, Financial Advisors in the management of the client's investment portfolio, the market value of the client's account and corresponding fee payable by the client to Richard Brothers, Financial Advisors may be increased. As a result, in addition to understanding and assuming the additional principal risks associated with the use of margin, clients authorizing margin are advised of the conflict of interest whereby the client's decision to employ margin *may* correspondingly increase the advisory fee payable to Richard Brothers,

Financial Advisors. Accordingly, the decision as to whether to employ margin is left totally to the discretion of client.

- C. Currently, Richard Brothers, Financial Advisors primarily allocates client investment assets among various individual equity (stocks), debt (bonds), and fixed income securities, mutual funds, closed-end funds, UITs and/or ETFs on a discretionary and non-discretionary basis in accordance with the client's designated investment objective(s).

## **Item 9           Disciplinary Information**

Richard Brothers, Financial Advisors 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, certain of Richard Brothers, Financial Advisors' representatives are also registered representatives of Richard Brother Securities, an SEC registered and FINRA member broker-dealer. **Item 12 further describes this affiliation and the factors that Richard Brothers, Financial Advisors considers in selecting or recommending broker-dealers for client transactions.**
- B. Neither Richard Brothers, Financial Advisors, 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. **Licensed Insurance Agency/Agents.** Richard Brothers, Financial Advisors also maintains an affiliated licensed insurance agency, AFX Global Advisors, Inc. Certain of Richard Brothers, Financial Advisors' representatives are also licensed insurance agents, and in such capacities, may recommend the purchase of certain insurance-related products on a commission basis. See Item 4.B for more information about this relationship and the conflicts of interest it creates.
- D. Richard Brothers, Financial Advisors does not receive, directly or indirectly, compensation from investment advisers that it recommends or selects for its clients.

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

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

Richard Brothers, Financial Advisors also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by Richard Brothers, Financial Advisors or any person associated with Richard Brothers, Financial

Advisors.

- B. Neither Richard Brothers, Financial Advisors nor any related person of Richard Brothers, Financial Advisors recommends, buys, or sells for client accounts, securities in which Richard Brothers, Financial Advisors or any related person of Richard Brothers, Financial Advisors has a material financial interest.
- C. Richard Brothers, Financial Advisors and/or representatives of Richard Brothers, Financial Advisors *may* buy or sell securities that are also recommended to clients. This practice may create a situation where Richard Brothers, Financial Advisors and/or representatives of Richard Brothers, Financial Advisors 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 Richard Brothers, Financial Advisors 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 Richard Brothers, Financial Advisors’ clients) and other potentially abusive practices.

Richard Brothers, Financial Advisors has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of Richard Brothers, Financial Advisors’ “Access Persons.” Richard Brothers, Financial Advisors’ securities transaction policy requires that an Access Person of Richard Brothers, Financial Advisors must provide the Chief Compliance Officer or his/her designee with a written report of 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 Richard Brothers, Financial Advisors selects.

- D. Richard Brothers, Financial Advisors and/or representatives of Richard Brothers, Financial Advisors *may* buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where Richard Brothers, Financial Advisors and/or representatives of Richard Brothers, Financial Advisors 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 11.C, Richard Brothers, Financial Advisors has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of Richard Brothers, Financial Advisors’ Access Persons.

## **Item 12      Brokerage Practices**

- A. In the event that the client requests that Richard Brothers, Financial Advisors recommend a broker-dealer for execution and/or custodial services (exclusive of those clients that may direct Richard Brothers, Financial Advisors to use a specific broker-dealer/custodian), Richard Brothers, Financial Advisors generally requires that investment management accounts be maintained at Pershing, and that Richard Brothers Securities serve as the introducing broker-dealer. As an introducing broker-dealer, Richard Brothers Securities does not hold or custody client funds or securities. Richard Brothers Securities accounts are carried on a fully disclosed basis at Pershing, LLC, a BNY (Bank of New York) Group

company. Pershing provides custodial and clearing services for Richard Brothers Securities.

Prior to engaging Richard Brothers, Financial Advisors to provide investment management services, the client will be required to enter into a formal *Investment Advisory Agreement*.

The requirement to use Richard Brothers Securities and Pershing is based on our decision that we can provide efficient and cost-effective services through our affiliated broker-dealer. However, the use of an affiliated broker-dealer is an inherent conflict of interest between Richard Brothers, Financial Advisors and its clients because requiring our clients to use Richard Brothers Securities as the broker-dealer allows us to potentially earn additional compensation that we would not otherwise. Clients should understand that not all investment advisers require the use of a particular broker-dealer or require the use of a broker-dealer that is affiliated with the investment adviser

The requirement to use Pershing (which is not affiliated with Richard Brothers, Financial Advisors or Richard Brothers Securities) is based on the fact that Richard Brothers Securities has established a clearing agreement with Pershing as its preferred clearing broker-dealer and qualified custodian. Because Richard Brothers, Financial Advisors and Richard Brothers Securities are under common ownership, the decision to use Pershing was mutually determined by both parties. There are some investment advisers that permit the use of multiple broker-dealers and permit clients to select the broker-dealer. We have considered the positive factors to this approach which include the ability to better negotiate brokerage costs such as transaction fees, the ability to better analyze speed of execution, and the ability to compare and negotiate services. However, we have determined that the use of one brokerage platform (Richard Brothers Securities/Pershing) allows us to provide more streamlined operational and trading services. We consider the fact that allowing multiple brokerage arrangements would increase the need for additional internal staff and technology which may increase the overall fees charged to clients. By selecting one brokerage platform, Richard Brothers, Financial Advisors is able to avoid additional compliance, recordkeeping, staffing, and technological costs that may be associated with implementing procedures designed to work with multiple brokerage platforms. Considering all factors in relation to our structure and capacities, we have concluded that requiring one brokerage platform (Richard Brothers Securities/Pershing) is a better policy than permitting multiple brokerage arrangements including client directed brokerage arrangements. However, we do have the discretion and ability to provide advisory services for assets held with other custodians. Considering Richard Brothers, Financial Advisors generally requires its clients to use the brokerage services of Richard Brothers Securities and Pershing, it may not be able to achieve the most favorable execution of client transactions and therefore our practice of requiring the use of Richard Brothers Securities/Pershing may cost clients more money compared to advisory programs offered by other investment advisers. While clients may be able to attain brokerage services with lower costs and expenses, clients should be aware of some of the qualitative factors Richard Brothers, Financial Advisors considers for selecting Richard Brothers Securities/Pershing as its required brokerage platform. These factors include, but are not necessarily limited to, being able to rely on the internal staff of Richard Brothers Securities to provide operations, trading, and other services. Pershing is able to provide numerous specialized service groups and a Client Service Manager who is dedicated to servicing our accounts. Their back-office system generates exception reports designed to monitor all aspects of brokerage accounts, including trading, money movement, transfers, and client account data. Client paperwork is processed through a secure electronic workflow and storage system. Pershing's electronic trading platform provides a real-time order matching system, ability to "block"

client trades, investment research tools, automated rebalancing, account balance and position information, and access to mutual fund families, many of which have no transaction fees. Clients may access their account information over the internet, including balances, transactions, positions, statements, confirmations, and tax documents.

Certain of the support services and products that Richard Brothers, Financial Advisors and Richard Brothers Securities receive may assist in managing and administering client accounts. Others assist them to manage and further develop their business enterprise.

**Richard Brothers, Financial Advisors' Chief Compliance Officer, Randall J. Richard, remains available to address any questions that a client or prospective client may have regarding the above arrangement and the conflict of interest it creates.**

1. Richard Brothers, Financial Advisors does not receive referrals from broker-dealers.
2. Richard Brothers, Financial Advisors does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements the client will negotiate terms and arrangements for their account with that broker-dealer, and Richard Brothers, Financial Advisors will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by Richard Brothers, Financial Advisors. 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.

In the event that the client directs Richard Brothers, Financial Advisors to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through Richard Brothers, Financial Advisors.

**Richard Brothers, Financial Advisors' Chief Compliance Officer, Randall J. Richard, remains available to address any questions that a client or prospective client may have regarding the above arrangement.**

- B. Transactions for client accounts generally will be effected independently, unless Richard Brothers, Financial Advisors decides to purchase or sell the same securities for several clients at approximately the same time. Richard Brothers, Financial Advisors may (but is not obligated to) combine or "bunch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among Richard Brothers, Financial Advisors' 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. Richard Brothers, Financial Advisors 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 Richard Brothers, Financial Advisors provides investment supervisory services, account reviews are conducted on an ongoing basis by Richard Brothers, Financial Advisors' Principals and representatives. All investment supervisory clients are advised that it remains their responsibility to advise Richard Brothers, Financial Advisors of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review financial planning issues (to the extent applicable), investment objectives and account performance with Richard Brothers, Financial Advisors on an annual basis.
- B. Richard Brothers, Financial Advisors 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. Richard Brothers, Financial Advisors 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, Richard Brothers, Financial Advisors receives certain economic benefits from Pershing.
- B. Richard Brothers, Financial Advisors does not currently compensate any person who is not a supervised person for client referrals.

### **Item 15      Custody**

Richard Brothers, Financial Advisors has the ability to have its advisory fee for each client debited by the custodian on a quarterly basis. Pursuant to Rule ch 515 § 11(8), Richard Brothers, Financial Advisors is deemed to have custody as a result of using direct fee deduction; however, Richard Brothers, Financial Advisors will rely on the safeguards contained in paragraphs 8A and 8B in complying with this section. 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. Richard Brothers, Financial Advisors may also provide a written periodic report summarizing account activity and performance.

To the extent that Richard Brothers, Financial Advisors provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by Richard Brothers, Financial Advisors with the account statements received from the account custodian. The account custodian does not verify the accuracy of Richard Brothers, Financial Advisors' advisory fee calculation.

## **Item 16 Investment Discretion**

The client can determine to engage Richard Brothers, Financial Advisors to provide investment advisory services on a discretionary basis. Prior to Richard Brothers, Financial Advisors assuming discretionary authority over a client's account, the client shall be required to execute an Investment Advisory Agreement, naming Richard Brothers, Financial Advisors as the client's attorney and agent in fact, granting Richard Brothers, Financial Advisors 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 Richard Brothers, Financial Advisors on a discretionary basis may, at any time, impose restrictions, in writing, on Richard Brothers, Financial Advisors' 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 Richard Brothers, Financial Advisors' use of margin, etc.).

## **Item 17 Voting Client Securities**

- A. Richard Brothers, Financial Advisors 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.

Richard Brothers, Financial Advisors will not be responsible and each client has the right and responsibility to take any actions with respect to any legal proceedings, including without limitation, bankruptcies and shareholder litigation, and the right to initiate or pursue any legal proceedings, including without limitation, shareholder litigation, including with respect to transactions, securities or other investments held in the client's account or the issuers thereof.

- B. Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact Richard Brothers, Financial Advisors to discuss any questions they may have with a particular solicitation.

## **Item 18 Financial Information**

- A. Richard Brothers, Financial Advisors does not solicit fees of more than \$500, per client, six months or more in advance.
- B. Richard Brothers, Financial Advisors 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. Richard Brothers, Financial Advisors has not been the subject of a bankruptcy petition.

## **Item 19          Requirements for State-Licensed Advisers**

- A. Neal Richard and Randall Richard are the Principals of Richard Brothers, Financial Advisors. For more information about these individuals, please see their Brochure Supplement.
- B. As referenced throughout this Part 2A Brochure, Messrs. Randall Richard and Neal Richard are registered representatives of Richard Brother Securities. Additionally, certain individuals are licensed insurance agents.
- C. Neither Richard Brothers, Financial Advisors nor its representatives receive compensation in the form of performance-based fees.
- D. Neither Richard Brothers, Financial Advisors, nor its representatives have been the subject of any disciplinary actions.
- E. Neither Richard Brothers, Financial Advisors, nor its representatives, has any relationship or arrangement with any issuer of securities.

**ANY QUESTIONS: Richard Brothers, Financial Advisors' Chief Compliance Officer, Randall J. Richard, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.**