

# FORM ADV PART 2A DISCLOSURE BROCHURE



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This brochure provides information about the qualifications and business practices of Financial & Tax Architects, Inc. Being registered as a registered investment adviser does not imply a certain level of skill or training. If you have any questions about the contents of this brochure, please contact us at 314-858-1122. 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 Financial & Tax Architects, Inc. (CRD #119169) is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

**March 15, 2018**

## **Item 2: Material Changes**

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### **Annual Update**

The Material Changes section of this brochure will be updated annually or when material changes occur since the previous release of the Firm Brochure.

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### **Material Changes since the Last Update**

This update is in accordance with the required annual update for Registered Investment Advisors. Since the last filing of this brochure on January 18, 2018, the following changes have been made:

- Item 5. has been amended to reflect the State of Florida advisory fee limit of 2.00% of Assets under Management.

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### **Full Brochure Available**

This Firm Brochure being delivered is the complete brochure for the Firm.

## Item 3: Table of Contents

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## Item 4: Advisory Business

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### **Firm Description**

Financial & Tax Architects, Inc. ("FTA"), a corporation organized under Missouri law, is an investment adviser registered with Missouri Secretary of State's office. FTA was founded in 1996 and began offering services as a Registered Investment Advisor in 1999. David Scott Brooks, Chairman, Founder, CEO currently owns 100% of FTA's ownership shares.

FTA is a fee based financial consulting and investment management firm. The firm does not sell annuities, insurance, or other commissioned products, but the firm's Managing Member and some of the firm's investment advisor representatives are affiliated with entities that sell insurance products.

FTA does not act as a custodian of client assets. FTA places trades for clients under a limited power of attorney.

An evaluation of each client's initial situation is provided to the client, often in the form of a net worth statement, risk analysis or similar document. Periodic reviews are also communicated to provide reminders of the specific courses of action that need to be taken. More frequent reviews occur but are not necessarily communicated to the client unless immediate changes are recommended.

Other professionals (e.g., lawyers, accountants, tax preparers, insurance agents, etc.) are engaged directly by the client on an as-needed basis and may charge fees of their own. For example, tax preparation and to the extent your estate plan needs to be updated, the tax preparer and/or attorney will bill the client separately. Conflicts of interest will be disclosed to the client in the event they should occur.

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### **Types of Advisory Services**

FTA provides investment supervisory services, also known as asset management.

#### ASSET MANAGEMENT

FTA offers discretionary and non-discretionary asset management services to advisory clients. FTA will offer clients ongoing portfolio management services through determining individual investment goals, time horizons, objectives, and risk tolerance. Investment strategies, investment selection, asset allocation, portfolio monitoring and the overall investment program will be based on the above factors. The client will authorize FTA discretionary authority to execute selected investment program transactions as stated within the Investment Advisory Agreement.

#### Discretionary

When the Client provides FTA discretionary authority the Client will sign a limited trading authorization or equivalent. FTA will have the authority to execute transactions in the account without seeking Client approval on each transaction.

#### Non-discretionary

When the Client elects to use FTA on a non-discretionary basis, FTA will determine the securities to be bought or sold and the amount of the securities to be bought or sold. However, FTA will obtain prior Client approval on each and every transaction before executing any transaction.

## FINANCIAL CONSULTING

FTA offers consulting services to help clients with allocating their 401k plan assets. Consulting services will continue from year to year unless cancelled in writing by either party. Client may terminate the Agreement within five (5) days without obligation.

Consultation will include the following:

- Initial meeting – up to two hours
- Follow up meeting to deliver and discuss initial recommendations – up to 90 minutes
- Written 401k plan asset allocation recommendations (paper and/or electronic) – updated quarterly
- Follow up meeting approximately every 3 months to check on progress and adjust recommendations based on client's suitability and changes in the market – up to 60 minutes
- Phone or email access to answer questions

The consultation includes a review of retirement plan accounts including recommendations.

Implementation of the recommendations is at the discretion of the client.

The scope of work and fee for a Consulting Service Agreement is provided to the client in writing prior to the start of the relationship.

## SUBADVISORY SERVICES

FTA provides various investment programs to third party unaffiliated investment advisers. Each third party unaffiliated investment adviser shall determine which investment program is suitable for the client. FTA shall provide no guidance or assistance to the unaffiliated investment adviser with making this determination. FTA will have responsibility for maintaining and managing the following Programs with discretionary authority:

### *Logical Invest Country Rotation Strategy:*

The Country Rotation Strategy (CRS) is a strategy created by Logical-Invest.com and licensed by Financial & Tax Architects. It seeks to add geographic diversity through the rotation of a wide variety of individual countries ETFs by blending the mix of risk adjusted growth. This strategy offers significant non-US global exposure and allows for the harvesting of returns from those outperforming countries even in a sideways market. The strategy uses momentum and relative strength indicators to choose between countries. When risk is high, it invests in fixed income ETF's. The strategy pursues a rule-based investment process that allocates between Long Duration Bonds and the four top ranked countries or regions to try to achieve an optimal risk/return profile.

### *Logical Invest Global Sector Strategy:*

The Global Sector Strategy is a strategy created by Logical Invest and offered by Financial & Tax Architects. The strategy is based on seeking an optimum allocation between the Global Equity Sectors and Long Duration Treasuries market. Equity Sectors present well-defined, long lasting cycles along the overall economic cyclical development of global markets, therefore allowing the strategy to receive returns from the outperforming

sectors even as the market goes sideways. Simultaneously, the strategy benefits from the long term inverse correlation between equity markets and long duration bonds while capturing value from the money flows into safe havens of US treasuries in crisis times.

*Logical Invest Sleep Well Bond Strategy:*

The Sleep Well Bond Strategy is a bond rotation strategy licensed by Logical-Invest.com and offered by Financial & Tax Architects that seeks, through optimum allocation, to achieve superior returns while attempting to offer a risk profile similar to that of the broader based US bond market. The strategy pursues a rule-based investment process that uses ETF's to allocate between long term US treasuries, High Yield Corporate Bonds, Emerging Market Bonds and Convertible bonds to try to achieve the appropriate risk/return profile so that the allocation among the asset classes is optimized. Cross-correlation and volatility of asset classes are accounted for to try to achieve lower overall portfolio volatility. The strategy is designed as an all-weather, diversified, multi-asset strategy generating optimal performance while attempting to mitigate downside risk.

*High Yield Corporate Bond Strategy:*

The High Yield Corporate Bond Strategy (HYCB) uses a blend of High Yield Corporate Bond mutual funds and/or ETF's overlaid with sell triggers designed to attempt to minimize downside risk. This strategy seeks to take advantage of the well-documented return premium available in the High Yield Corporate Bond universe while attempting to minimize drawdowns through security-specific risk tolerance limits. Specifically, each security is subject to a stop loss designed to prevent prolonged downturns.

*Foundation Strategy:*

The Foundation Strategy attempts to emulate, as best as possible, the diversified investment style practiced by leading endowments, specifically that of Yale University. The strategy invests in ETF's designed to track the performance of large domestic stocks, large foreign stocks, 10-Year Treasury Notes, the Goldman Sachs Commodity Index, and the NAREIT Real Estate Investment Trust Index. Each asset class is separately graded on a technical score designed to move into bonds when that asset class is in a prolonged downturn.

*Strategic Enhanced Bond Strategy:*

The Strategic Enhanced Bond Strategy (SEB) is an asset allocation strategy that combines conservative intermediate-term and inflation-protected bond funds with Financial & Tax Architects' fourth quarter "prime period" trades. The strategy determines, in advance, when to be invested in bond funds and when to be invested in equities. The investment components of the strategy are: Jan 1 to late-October: 70% intermediate-term bond funds/ 30% inflation protected Treasury bonds (TIPS); late-October to Dec. 31: 40% intermediate-term bond funds plus three prime period trades using the S&P 500 index leveraged by 100%. Investors should be aware that the use of leveraged funds in the fourth quarter of each year increases the risk and volatility of the equity component of the strategy.

*US Prime Dividend Strategy:*

The U.S. Prime Dividend Strategy invests in leading American dividend paying stocks and/or ETF's to expose the investor to companies with increasing, sustainable dividend payouts. The strategy employs an intermediate tactical overlay in order to determine when the strategy should have a bullish or bearish stance. When the strategy has a bullish stance, it is fully invested in an array of American dividend paying stocks and/or



ETF's. When it is in a bearish stance, it is invested in an ETF designed to track the Barclays Capital US Intermediate Aggregate Bond index.

*Strategic Mid-Cap Strategy:*

The Strategic Mid-Cap Strategy (SMC) is a strategy which seeks to exploit two seasonal influences on the stock market. These seasonal forces have historically “skewed” returns in certain months of the year and specific sub-periods in the final three months of the year. Each year, the SMC Strategy holds an S&P Mid Cap 400 Index ETF from late-October to the end of May and then invests in intermediate-term bond ETF's from June to late-October. During the third and fourth quarters of each year, the strategy raises the leverage of the midcap exposure by 100% during certain sub-periods totaling less than 25 days. These sub-periods are influenced by end-of-month and holiday seasonal forces.

*Strategic Hedged Income Strategy:*

The Strategic Hedged Income Strategy (SHI) attempts to maintain a conservative, diversified portfolio of ETF's that strives to protect your assets on the downside while attempting to achieve consistent and steady growth on the upside. This diversified portfolio invests in instruments designed to track the performance of Spot Gold, T-bills, 10-Year Treasury Notes, 30-year Treasury Bonds, and the NAREIT Real Estate Investment Trust Index.

*Economic Cycle Strategy:*

By utilizing employment and housing indicators in a manner unique to Financial & Tax Architects, The Economic Cycle Strategy attempts to mitigate the downside risk associated with investing in the stock market. When employment and housing indicators are bullish, this strategy is long the US equity markets using various equity instruments. When the indicators are bearish, the strategy invests in instruments that attempt to track the Barclays Capital US Intermediate Aggregate Bond Index.

*International Prime Dividend Strategy:*

The International Prime Dividend Strategy invests in leading foreign dividend stocks or ETF's designed to expose the investor to foreign equities that show continually increasing, sustainable, dividend payouts. The strategy employs an intermediate term tactical overlay in order to determine whether to be in a bullish or defensive posture. When in a bullish posture, the strategy is invested in European dividend stocks and/or ETF's. When bearish, the strategy invests in an ETF approximating the Barclays Pan-European Aggregate bond index.

*Value Discount Strategy:*

The Value Discount Strategy is a relative value strategy applied to tradable asset class proxies. The Strategy uses ETF's to invest in Stocks, Treasury Bonds, Corporate Bonds, or cash. The strategy chooses which asset class to invest in by examining which is the most undervalued compared to the equity risk premium for stocks, the credit risk premium for corporate bonds, and the term risk premium for treasury bonds. If no asset class is undervalued the strategy invests in cash.

**SEMINARS AND WORKSHOPS**

FTA holds seminars and workshops to educate the public on different types of investments and the different services they offer. The seminars are educational in nature and no specific investment or tax advice is given.

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**Client Tailored Services and Client Imposed Restrictions**

The goals and objectives for each client are documented in our client files. Investment strategies are created that reflect the stated goals and objective. Clients may not impose restrictions on investing in certain securities or types of securities. FTA does not allow for restrictions in investments, since the majority of products employed are index ETFs and no load mutual funds, and therefore FTA cannot dictate the underlying securities purchased and sold by these funds. Clients are informed of this limitation and only provide FTA with investable assets that can be used at FTA's discretion. Clients may terminate advisory services with thirty (30) days written notice. FTA will be entitled to a pro rata fee for the days service was provided in the final quarter.

Agreements may not be assigned without written client consent.

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**Wrap Fee Programs**

FTA does not sponsor any wrap fee programs.

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**Client Assets under Management**

As-of December 31, 2017, FTA had \$29,780,678 in discretionary assets under management and \$263,914 in non-discretionary assets under management.

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**Item 5: Fees and Compensation**

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**Method of Compensation and Fee Schedule****ASSET MANAGEMENT**

FTA offers discretionary asset management services to advisory clients. The fees for these services will be based on a percentage of Assets under Management of 2.75% annually for all accounts, except for Florida residents where advisory fees are limited to 2.00%.

The annual fee may be negotiable based upon certain criteria (e.g., historical relationship, type of assets, anticipated future earning capacity, anticipated future additional assets, dollar amounts of assets to be managed, related accounts, account composition, negotiations with Clients, etc.). Accounts within the same household may be combined for a reduced fee. Fees are billed quarterly in arrears based on the amount of assets managed as of the close of business on the last business day of each quarter. The first payment will be prorated based upon the date of execution of a service agreement and will be assessed pro rata in the event services are ended in the middle of a quarter. Quarterly advisory fees deducted from the clients' account by the custodian will be reflected in a provided fee invoice as fees are withdrawn. The fees must be paid within 10 days following the conclusion of the calendar quarter which the account is being billed for. Lower fees for comparable services may be available from other sources. Clients may terminate their account within five (5) business days of signing the Investment Advisory Agreement with no obligation. Clients may terminate advisory services with thirty (30) days written notice. FTA will be entitled to a pro rata fee for the days service was provided in the final quarter. Client shall be given thirty (30) days prior written notice of any increase in fees. Client will acknowledge, in writing, any agreement of increase in said fees before any increase in fees occurs.

## FINANCIAL CONSULTING

401k Guidance services are offered for \$500 per year.

Fees will be billed annually in arrears. Payments are due at the end of each year. Services are ongoing and will continue from year to year unless cancelled in writing by either party. If the appropriate disclosure statement was not delivered to the client at least 48 hours prior to the client entering into any written or oral advisory contract with this investment adviser, then Client may cancel within five (5) business days of signing Agreement for a full refund. If the client cancels after five (5) business days, any unpaid earned fees will be due to FTA.

## SUBADVISORY SERVICES FEES

A fee of .75% will be charged on the total assets under management that the third party unaffiliated investment adviser brings to FTA. Fees will be billed according to the unaffiliated investment adviser's Form ADV2A. FTA is compensated directly by the third party unaffiliated investment adviser's custodian with a portion of the investment management fee, as per the duly executed sub-advisory agreement. Third party unaffiliated investment adviser who engage FTA as a sub-adviser shall be responsible for billing their clients and collecting all fees.

Clients may terminate their account within five (5) business days of signing the Investment Advisory Agreement with no obligation. Clients may terminate advisory services with thirty (30) days written notice. For accounts closed mid-quarter, FTA will be entitled to a pro rata fee for the days service was provided in the final quarter. Client shall be given thirty (30) days prior written notice of any increase in fees. Any increase in fees will be acknowledged in writing by both parties before any increase in said fees occurs.

## SEMINARS AND WORKSHOPS

FTA holds educational workshops at Webster University to educate the public on different types of investments and the different services they offer. These workshops typically attract middle class individuals/couples. The seminars and workshops held by FTA are offered at no cost.

Maryland Disclosure: The asset management and financial consulting fees charged by the adviser are generally higher than the fees charged by most advisers registered in the State of Maryland.

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### **Client Payment of Fees**

Investment management fees are billed quarterly, in arrears, meaning that we invoice you after the three (3) month billing period has ended. Payment in full is expected within ten (10) days following the conclusion of the calendar quarter which the account is being billed for. Fees are usually deducted from a designated client account to facilitate billing. The client must consent in advance to direct debiting of their investment account.

Consulting services fees are billed annually in arrears.

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### **Additional Client Fees Charged**

Custodians may charge transaction fees on purchases or sales of certain mutual funds, equities, and exchange-traded funds. These charges may include mutual fund transactions fees, postage and handling and miscellaneous fees (fee levied to recover costs associated

with fees assessed by self-regulatory organizations). FTA does not receive any portion of any of these additional fees that may be charged to the client.

FTA, in its sole discretion, may charge a lesser investment advisory fee based upon certain criteria (e.g., historical relationship, type of assets, anticipated future earning capacity, anticipated future additional assets, dollar amounts of assets to be managed, related accounts, account composition, negotiations with clients, etc.).

For more details on the brokerage practices, see Item 12 of this brochure.

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**Prepayment of Client Fees**

FTA does not charge client fees in advance.

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**External Compensation for the Sale of Securities to Clients**

FTA does not receive any external compensation for the sale of securities to clients, nor do any of the investment advisor representatives of FTA.

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

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**Sharing of Capital Gains**

Fees are not based on a share of the capital gains or capital appreciation of managed securities.

FTA does not use a performance-based fee structure because of the conflict of interest. Performance-based compensation may create an incentive for the adviser to recommend an investment that may carry a higher degree of risk to the client.

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**Item 7: Types of Clients**

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**Description**

FTA generally provides investment advice to individuals, high net-worth individuals, and small businesses.

Client relationships vary in scope and length of service.

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**Account Minimums**

FTA does not require a minimum to open an account.

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

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**Methods of Analysis**

Security analysis methods may include fundamental analysis, technical analysis, and cyclical analysis. Investing in securities involves risk of loss that clients should be prepared to bear.

Fundamental analysis involves evaluating a stock using real data such as company revenues, earnings, return on equity, and profits margins to determine underlying value and potential growth. Technical analysis involves evaluating securities based on past prices and volume. Cyclical analysis involves analyzing the cycles of the market.

The main sources of information include financial newspapers and magazines, annual reports, prospectuses, and filings with the Securities and Exchange Commission.

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## Investment Strategy

The investment strategy for a specific client is based upon the objectives stated by the client during consultations. The client may change these objectives at any time. Each client executes an Investment Policy Statement, Risk Tolerance or similar form that documents their objectives and their desired investment strategy.

Other strategies may include margin trading, and option writing (including covered options, uncovered options or spreading strategies).

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## Security Specific Material Risks

All investment programs have certain risks that are borne by the investor. Fundamental analysis may involve interest rate risk, market risk, business risk, and financial risk. Risks involved in technical analysis are inflation risk, reinvestment risk, and market risk. Cyclical analysis involves inflation risk, market risk, and currency risk.

Our investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks and should discuss these risks with FTA:

- *Interest-rate Risk:* Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- *Market Risk:* The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- *Inflation Risk:* When any type of inflation is present, a dollar today will buy more than a dollar next year, because purchasing power is eroding at the rate of inflation.
- *Currency Risk:* Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- *Reinvestment Risk:* This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- *Business Risk:* These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- *Liquidity Risk:* Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.

- *Financial Risk:* Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.
- *Options Trading:* The risks involved with trading options are that they are very time sensitive investments. An options contract is generally a few months. The buyer of an option could lose his or her entire investment even with a correct prediction about the direction and magnitude of a particular price change if the price change does not occur in the relevant time period (i.e., before the option expires). Additionally, options are less tangible than some other investments. An option is a "book-entry" only investment without a paper certificate of ownership.
- *Leveraged Risk:* The risks involved with using leverage may include compounding of returns (this works both ways – positive and negative), possible reset periods, volatility, use of derivatives, active trading and high expenses. Leveraged investments are not for long-term investors or buy and hold strategies.

## **Item 9: Disciplinary Information**

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### **Criminal or Civil Actions**

The firm and its management have not been involved in any criminal or civil action.

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### **Administrative Enforcement Proceedings**

The firm and its management have not been involved in administrative enforcement proceedings in the last ten years.

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### **Self-Regulatory Organization Enforcement Proceedings**

The firm and its management have not been involved in legal or disciplinary events in the last ten years that are material to a client's or prospective client's evaluation of FTA or the integrity of its management. Please refer to Mr. David Brooks' Form ADV2B, which is attached to this brochure.

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

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### **Broker-Dealer or Representative Registration**

Neither FTA nor any of its employees are registered representatives of a broker-dealer.

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### **Futures or Commodity Registration**

Neither FTA nor its employees are registered or has an application pending to register as a futures commission merchant, commodity pool operator, or a commodity-trading advisor.

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### **Material Relationships Maintained by this Advisory Business and Conflicts of Interest**

Managing Member David Brooks has a financial affiliated business as an insurance agent. Greater than 50% of Mr. Brooks' time is spent in his insurance practice. He will offer clients advice or products from those activities.

These practices represent a conflict of interest because it gives Mr. Brooks an incentive to recommend products and services based on the commission or fee amount received. This conflict is mitigated by disclosures, procedures, and the firm's fiduciary obligation to place the best interest of the client first and the clients are not required to purchase any products or services. Clients have the option to purchase these products through another insurance agent or trust company of their choosing.

In addition, Mr. Haave is the Managing Director at Agora Trust, the Director at Universal Fusion Ltd and the Director at Universal Fusion Capital LLC. These roles do not cause a conflict of interest as any clients at any of these firms will not be clients of FTA.

Prior to engagement with other IARs, FTA will review IAR's registrations to insure that they are properly licensed or registered.

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### **Recommendations or Selections of Other Investment Advisors and Conflicts of Interest**

FTA does not select or recommend other investment advisors.

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

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### **Code of Ethics Description**

The employees of FTA have committed to a Code of Ethics ("Code"). The purpose of our Code is to set forth standards of conduct expected of FTA employees and addresses conflicts that may arise. The Code defines acceptable behavior for employees of FTA. The Code reflects FTA and its supervised persons' responsibility to act in the best interest of their client.

One area the Code addresses is when employees buy or sell securities for their personal accounts and how to mitigate any conflict of interest with our clients. We do not allow any employees to use non-public material information for their personal profit or to use internal research for their personal benefit in conflict with the benefit to our clients.

FTA's policy prohibits any person from acting upon or otherwise misusing non-public or inside information. No advisory representative or other employee, officer or director of FTA may recommend any transaction in a security or its derivative to advisory clients or engage in personal securities transactions for a security or its derivatives if the advisory representative possesses material, non-public information regarding the security.

FTA's Code is based on the guiding principle that the interests of the client are our top priority. FTA's officers, directors, advisors, and other employees have a fiduciary duty to our clients and must diligently perform that duty to maintain the complete trust and confidence of our clients. When a conflict arises, it is our obligation to put the client's interests over the interests of either employees or the company.

The Code applies to "access" persons. "Access" persons are employees who have access to non-public information regarding any clients' purchase or sale of securities, or non-public information regarding the portfolio holdings of any reportable fund, who are involved in making securities recommendations to clients, or who have access to such recommendations that are non-public.

The firm will provide a copy of the Code of Ethics to any client or prospective client upon request.

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**Investment Recommendations Involving a Material Financial Interest and Conflict of Interest**

FTA and its employees do not recommend to clients securities in which we have a material financial interest.

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**Advisory Firm Purchase of Same Securities Recommended to Clients and Conflicts of Interest**

FTA and its employees may buy or sell securities that are also held by clients. In order to mitigate conflicts of interest such as front running, employees are required to disclose all reportable securities transactions as well as provide FTA with copies of their brokerage statements.

The Chief Compliance Officer of FTA is Gordon Haave. He reviews all employee trades each quarter. The personal trading reviews ensure that the personal trading of employees does not affect the markets and that clients of the firm receive preferential treatment over employee transactions.

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**Client Securities Recommendations or Trades and Concurrent Advisory Firm Securities Transactions and Conflicts of Interest**

FTA does not maintain a firm proprietary trading account and does not have a material financial interest in any securities being recommended and therefore no conflicts of interest exist. However, employees may buy or sell securities at the same time they buy or sell securities for clients. In order to mitigate conflicts of interest such as front running, employees are required to disclose all reportable securities transactions as well as provide FTA with copies of their brokerage statements. FTA further requires the pre-clearance of trades by the Chief Compliance Officer, Gordon Haave, or his designee.

The Chief Compliance Officer of FTA is Gordon Haave. He reviews all employee trades each quarter. The personal trading reviews ensure that the personal trading of employees does not affect the markets and that clients of the firm receive preferential treatment over employee transactions.

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**Item 12: Brokerage Practices**

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**Factors Used to Select Broker-Dealers for Client Transactions**

FTA may recommend the use of a particular broker-dealer or may utilize a broker-dealer of the client's choosing. If and when the adviser would refer clients to broker-dealers the adviser will only refer clients to broker-dealers registered in states where the clients reside. FTA will select appropriate brokers based on a number of factors including but not limited to their relatively low transaction fees and reporting ability. FTA relies on its broker to provide its execution services at the best prices available. Lower fees for comparable services may be available from other sources. Clients pay for any and all custodial fees in addition to the advisory fee charged by FTA.

- *Directed Brokerage*

In circumstances where a Client directs FTA to use a certain broker-dealer, FTA still has a fiduciary duty to its Clients. The following may apply with Directed



Brokerage: FTA's inability to negotiate commissions, to obtain volume discounts, there may be a disparity in commission charges among Clients and conflicts of interest arising from brokerage firm referrals. FTA does not allow directed brokerage.

- Brokerage for Client Referrals

In selecting or recommending broker/dealers, FTA does not consider whether FTA or its Registered Persons receive client referrals from a broker/dealer or third party. FTA's Investment Advisor Representatives do not receive client referrals from a broker/dealer or third party.

#### HOW WE SELECT BROKERS/CUSTODIANS

We seek to recommend a custodian/broker that will hold your assets and execute transactions on terms that are, overall, most advantageous when compared with other available providers and their services. We consider a wide range of factors, including:

- Capability to execute, clear, and settle trades (buy and sell securities for your account) itself or to facilitate such services.
- Capability to facilitate timely transfers and payments to and from accounts.
- Availability of investment research and tools that assist us in making investment decisions. - Quality of services.
- Competitiveness of the price of those services and willingness to negotiate the prices.
- Reputation, financial strength, and stability.

Prior service to us and our other clients.

- *Best Execution*

Investment advisors who manage or supervise client portfolios have a fiduciary obligation of best execution. The determination of what may constitute best execution and price in the execution of a securities transaction by a broker involves a number of considerations and is subjective. Factors affecting brokerage selection include the overall direct net economic result to the portfolios, the efficiency with which the transaction is effected, the ability to effect the transaction where a large block is involved, the operational facilities of the broker-dealer, the value of an ongoing relationship with such broker and the financial strength and stability of the broker. The firm does not receive any portion of the trading fees.

- *Soft Dollar Arrangements*

The Securities and Exchange Commission defines soft dollar practices as arrangement under which products or services other than execution services are obtained by FTA from or through a broker-dealer in exchange for directing client transactions to the broker-dealer.

FTA does not receive soft dollar benefits.

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#### **Aggregating Securities Transactions for Client Accounts**

FTA will not aggregate transactions unless it believes that aggregation is consistent with its duty to seek best execution (which includes the duty to seek best price) for its clients and is consistent with the terms of FTA's investment advisory agreement with each client for which trades are being aggregated. However, FTA is authorized in its discretion to

aggregate purchases and sales and other transactions made for the account with purchases and sales and transactions in the same securities for other Clients of FTA. All clients participating in the aggregated order shall receive an average share price with all other transaction costs shared on a pro-rated basis.

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

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### **Schedule for Periodic Review of Client Accounts or Financial Plans and Advisory**

#### **Persons Involved**

Formal account reviews are performed at least quarterly by Gordon Haave, Chief Compliance Officer. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, an addition or subtraction of cash from management, drift or variance from the model portfolio weighting or the market, political or economic environment, or any other reasonable factors at the request of the client

#### **Review of Client Accounts on Non-Periodic Basis**

Other conditions that may trigger a review of clients' accounts are changes in the tax laws, new investment information, and changes in a client's own situation.

#### **Content of Client Provided Reports and Frequency**

Clients receive written account statements no less than quarterly for managed accounts. Account statements are issued by the Advisor's custodian. Client receives confirmations of each transaction in account from Custodian and an additional statement during any month in which a transaction occurs. Clients also are provided with online access to their accounts, which is available any time.

ERISA Plan Services accounts will receive reports as contracted for at the inception of the advisory relationship, and as mandated by law. Clients also are provided with online access to their accounts available any time.

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

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### **Economic Benefits Provided to the Advisory Firm from External Sources and Conflicts of Interest**

FTA does not receive any economic benefits from external sources.

#### **Advisory Firm Payments for Client Referrals**

FTA does not compensate for Client referrals.

## **Item 15: Custody**

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### **Account Statements**

All assets are held at qualified custodians, which means the custodians provide account statements directly to clients at their address of record at least quarterly. Clients are urged to compare the account statements received directly from their custodians to the performance report statements prepared by FTA. Clients should also carefully review statements they receive from custodians.

FTA does not maintain custody of client funds and/or securities, however FTA is deemed to have constructive custody solely because advisory fees are directly deducted from client's account by the custodian on behalf of FTA. Additionally, FTA avoids having custody by following safeguarding procedures as follows;

When advisory fees are calculated and deducted from the account by the custodian:

- FTA will provide the client with an invoice prior to instructing the custodian to deduct the fee stating the amount of the fee, the formula used to calculate the fee, the amount of assets under management the fee is based on and the time period covered by the fee;
- At account opening, FTA obtains written authorization signed by the client allowing the fees to be calculated and deducted by the custodian; and
- The client receives quarterly statements directly from the custodian which disclose the fees deducted.
  - FTA has written authorization from the client to deduct advisory fees from the account held with the qualified custodian.
- The investment adviser notifies the Commissioner in writing that the investment adviser intends to use the safeguards provided in this paragraph.

## **Item 16: Investment Discretion**

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### **Discretionary Authority for Trading**

FTA may require discretionary authority to manage securities accounts on behalf of clients. FTA has the authority to determine, without obtaining specific client consent, the securities to be bought or sold, and the amount of the securities to be bought or sold. The client will authorize FTA discretionary authority to execute selected investment program transactions as stated within the Investment Advisory Agreement.

The client approves the custodian to be used and the commission rates paid to the custodian. FTA does not receive any portion of the transaction fees or commissions paid by the client to the custodian on certain trades.

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

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### **Proxy Votes**

FTA does not vote proxies on securities. Clients are expected to vote their own proxies. The client will receive their proxies directly from the custodian of their account or from a transfer agent.

When assistance on voting proxies is requested, FTA will provide recommendations to the client. If a conflict of interest exists, it will be disclosed to the client.

## **Item 18: Financial Information**

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### **Balance Sheet**

A balance sheet is not required to be provided because FTA does not serve as a custodian for client funds or securities and FTA does not require prepayment of fees of more than \$500 per client and six months or more in advance.

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**Financial Conditions Reasonably Likely to Impair Advisory Firm's Ability to Meet Commitments to Clients**

FTA has no condition that is reasonably likely to impair our ability to meet contractual commitments to our clients.

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**Bankruptcy Petitions during the Past Ten Years**

On April 11, 2014, Mr. David Brooks filed for bankruptcy. This bankruptcy was discharged on May 11, 2014.

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**Item 19: Requirements for State Registered Advisors**

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**Principal Executive Officers and Management Persons**

The education and business background for all management and supervised persons can be found in the Part 2Bs of this Brochure.

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**Outside Business Activities**

The outside business activities for all management and supervised persons can be found in the Part 2Bs of this Brochure.

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**Performance Based Fee Description**

Neither Mr. Brooks nor Mr. Haave nor any supervised persons receive any performance based fees.

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**Disclosure of Material Facts Related to Arbitration or Disciplinary Actions Involving Management Persons**

Mr. Haave does not have any disclosures to report. However, in March 1998, Mr. Brooks was fined \$2,500 and entered into a consent order for sharing commissions with a registered representative of another broker/dealer.

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**Material Relationship Maintained by this Advisory Business or Management persons with Issuers of Securities**

There are no material relationships with issuers of securities to disclose.