

# Howard Bailey Securities, LLC

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March 31, 2017

This Brochure provides information about the qualifications and business practices of Howard Bailey Securities, LLC. If you have any questions about the contents of this Brochure, please contact us at (260) 482-9559 or via email at [info@howardbailey.com](mailto:info@howardbailey.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Howard Bailey Securities, LLC ("Howard Bailey") is a Registered Investment Adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information that you may use to determine whether to hire or retain them.

Additional information about Howard Bailey is also available via the SEC's website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by using a unique identifying number, known as a CRD number. The CRD number for Howard Bailey is 282712. The SEC's web site also provides information about any persons affiliated with Howard Bailey who are registered, or are required to be registered, as Investment Adviser Representatives of Howard Bailey.

## Item 2 – Material Changes

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There were no material changes to the business since the approval our firm in March of 2016.

We will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year end which is December 31st. We will provide other ongoing disclosure information about material changes as they occur. We will also provide you with information on how to obtain the complete brochure. Currently, our Brochure may be requested at any time, without charge, by contacting us at (260) 482-9559.

# Item 3 – Table of Contents

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- Item 1 – Cover Page .....1
- Item 2 – Material Changes.....2
- Item 3 – Table of Contents .....3
- Item 4 – Advisory Business Introduction .....4
- Item 5 – Fees and Compensation .....9
- Item 6 – Performance Based Fee and Side by Side Management .....12
- Item 7 – Types of Client(s) .....12
- Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss .....12
- Item 9 – Disciplinary Information .....17
- Item 10 – Other Financial Industry Activities and Affiliations .....17
- Item 11 – Code of Ethics, Participation or Interest in Client Accounts and Personal Trading.....18
- Item 12 – Brokerage Practices .....20
- Item 13 – Review of Accounts.....22
- Item 14 – Client Referrals and Other Compensation .....22
- Item 15 – Custody .....23
- Item 16 – Investment Discretion .....23
- Item 17 – Voting Client Securities .....24
- Item 18 – Financial Information .....24
- Item 19 – Requirements for State Registered Advisers .....24
- ADV Part 2B Brochure Supplement – Casey Weade .....26
- ADV Part 2B Brochure Supplement – Marshal Johnson.....26
- ADV Part 2B Brochure Supplement – Robert McCoy.....26
- ADV Part 2B Brochure Supplement – Ryan Nuechterlein .....26
- Item 2 - Educational Background and Business Experience.....26
- Item 3 - Disciplinary Information .....26
- Item 4 - Other Business Activities.....26
- Item 5 - Additional Compensation .....26
- Item 6 - Supervision.....26
- Item 7 – Requirements for State-Registered Advisers .....26

## Item 4 – Advisory Business Introduction

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### Our Advisory Business

Howard Bailey Securities, LLC (“Howard Bailey”, “us”, “we”, “our”) is a Registered Investment Adviser (“Adviser”) which offers investment advice regarding securities and other financial services to clients. We are a registered investment adviser in the States of Arizona, Florida, Indiana, and Ohio.

We provide investment advice through Investment Adviser Representatives (“Advisor”) associated with us. These individuals are appropriately licensed, qualified, and authorized to provide advisory services on our behalf. In addition, all Advisors are required to have a college degree, professional designation, or equivalent professional experience.

Howard Bailey was founded in 2016 by Casey Weade and Ron Weade. Casey Weade serves as the President and Chief Compliance Officer. Ron Weade is not involved in the day to day operation. Howard Bailey provides management services to individuals, high net worth individuals, trusts, estates, corporate pension and profit-sharing plans, charitable organizations, foundations, endowments, corporations, small businesses and churches.

We are committed to the precept that by placing the client’s interests first, we will add value to the asset management process and earn the client’s trust and respect. We value long term relationships with our clients whom we regard as strategic partners in our business.

### Services

We provide various asset management and financial planning services, with an emphasis on business and retirement planning and services. Our focus is on helping you develop and execute plans that are designed to build and preserve your wealth.

We do not participate in wrap fee programs.

### Asset Management

Asset management is the professional management of securities (stocks, bonds and other securities) and assets (e.g., real estate) in order to meet your specified investment goals. With an Asset Management Account, you engage us to assist you in developing a custom-tailored portfolio designed to meet your unique investment objectives. The investments in the portfolio account may include mutual funds, stocks, bonds, etc.

We will meet with you to discuss your financial circumstances, investment goals and objectives, and to determine your risk tolerance. We will ask you to provide statements summarizing current investments, income and other earnings, recent tax returns, retirement plan information, other assets and liabilities, wills and trusts, insurance policies, and other pertinent information.

Based on the information you share with us, we will analyze your situation and recommend an appropriate asset allocation or investment strategy. Our recommendations and ongoing management are based upon your investment goals and objectives, risk tolerance, and the investment portfolio you

have selected. We will monitor the account, trade as necessary, and communicate regularly with you. Your circumstances shall be monitored in quarterly and annual account reviews. These reviews will be conducted in person, by telephone conference, and/or via a written inquiry/questionnaire. We will work with you on an ongoing basis to evaluate your asset allocation as well as rebalance your portfolio to keep it in line with your goals as necessary. We will be reasonably available to help you with questions about your account.

We will:

- Review your present financial situation
- Monitor and track assets under management
- Provide portfolio statements, periodic rate of return reports, asset allocation statement, rebalanced statements as needed
- Advise on asset selection
- Determine market divisions through asset allocation models
- Provide research and information on performance and fund management changes
- Build a risk management profile for you
- Assist you in setting and monitoring goals and objectives
- Provide personal consultations as necessary upon your request or as needed.

You are obligated to notify us promptly when your financial situation, goals, objectives, or needs change.

You shall not have the ability to impose restrictions on the management of your account.

Under certain conditions, securities from outside accounts may be transferred into your advisory account; however, we may recommend that you sell any security if we believe that it is not suitable for the current recommended investment strategy. You are responsible for any taxable events in these instances. Certain assumptions may be made with respect to interest and inflation rates and the use of past trends and performance of the market and economy. Past performance is not indicative of future results.

If you decide to implement our recommendations, we will help you open a custodial account(s). The funds in your account will generally be held in a separate account, in your name, at an independent custodian, and not with us. We recommend using Fidelity.

You will enter into a separate custodial agreement with the custodian. This agreement, among other things, authorizes the custodian to take instructions from us regarding all investment decisions for your account. We will select the securities bought and sold and the amount to be bought and sold, within the parameters of the objectives and risk tolerance of your account. You will be notified of any purchases or sales through trade confirmations and statements that are provided by the custodian. These statements list the total value of the account, itemize all transaction activity, and list the types, amounts, and total value of securities held. Your statement may be in either printed or electronic form based on your

preferences. You will at all times maintain full and complete ownership rights to all assets held in your account, including the right to withdraw securities or cash, proxy voting and receiving transaction confirmations.

We manage assets on a discretionary basis, which means you have given us the authority to determine the following with/without your consent:

- Securities to be bought or sold for your account
- Amount of securities to be bought or sold for your account

Trading may be required to meet initial allocation targets, after substantial cash deposits that require investment allocation, and/or after a request for a withdrawal that requires liquidation of a position. Additionally, your account may be rebalanced or reallocated periodically in order to reestablish the targeted percentages of your initial asset allocation. This rebalancing or reallocation will occur on the schedule we have determined together. You will be responsible for any and all tax consequences resulting from any rebalancing or reallocation of the account. We are not tax professionals and do not give tax advice. However, we will work with your tax professionals to assist you with tax planning.

We are available during normal business hours either by telephone, fax, email, or in person by appointment to answer your questions.

### ***Third Party Money Managers***

We may determine that opening an account with a professional third party money manager is in your best interests. Currently, we have no relationships with 3<sup>rd</sup> party money managers. Should we form a relationship, we will ensure that the adviser is appropriately registered in the state wherein business is conducted.

These programs allow you to obtain portfolio management services that typically require higher minimum account sizes outside of the program. The money managers selected under these programs will have discretion to determine the securities they buy and sell within the account, subject to reasonable restrictions imposed by you. Due to the nature of these programs, each of the independent money managers is obligated to provide you with a separate disclosure document. You should carefully review this document for important and specific program details, including pricing.

Under these programs, we may:

- Assist in the identification of investment objectives
- Recommend specific investment style and asset allocation strategies
- Assist in the selection of appropriate money managers and review performance and progress
- Recommend reallocation among managers or styles within the program
- Recommend the hiring and firing of money managers utilized by you.

You should read the ADV Part 2 disclosure document of the money manager you select for complete details on the charges and fees you will incur.

## **Financial Planning/Consulting**

We provide services such as comprehensive financial planning, estate planning, business planning, educational planning, and financial consulting. Fee based financial planning and consulting is a comprehensive relationship which incorporates many different aspects of your financial status into an overall plan that meets specific goals and objectives. The financial planning and/or consulting relationship consists of face-to-face meetings and ad hoc meetings with you and/or your other advisors (attorneys, accountants, etc.) as necessary.

In performing financial planning and/or consulting services, we typically examine and analyze your overall financial situation, which may include issues such as taxes, insurance needs, overall debt, credit, business planning, retirement savings and reviewing your current investment program. Our services may focus on all or only one of these areas depending upon the scope of our engagement with you.

It is essential that you provide the information and documentation we request regarding your income, investments, taxes, insurance, estate plan, etc. We will discuss your investment objectives, needs and goals, but you are obligated to inform us of any changes. We do not verify any information obtained from you, your attorney, accountant or other professionals.

If you engage us to perform these services, you will receive a written agreement detailing the services, fees, terms and conditions of the relationship. You will also receive this Brochure. You are under no obligation to implement recommendations through us. You may implement your financial plan through any financial organization of your choice.

## **Qualified Retirement Plan Advisory Services**

Plan sponsors are increasingly looking for an investment advisor to help shoulder fiduciary responsibilities. Under a 3(21) fiduciary advisory arrangement Howard Bailey will assist in the recommendation of investments to plan sponsors, monitor the selected investments to help ensure performance, provide participant education, and provide guidance throughout the fiduciary process. As an ERISA Section 3(21) fiduciary, Howard Bailey does not have the authority to make and implement fiduciary decisions for the plan. However, our recommendations help relieve plan sponsors of some of the liability associated with their investment decisions, when the decisions are based on our advice. This allows for the plan sponsor/trustee to retain the ultimate decision-making authority for investments. The plan sponsor is responsible for the selection and monitoring of the 3(21) investment manager and implementation of any of the 3(21) investment manager's investment recommendations. The plan sponsor will have the opportunity to meet with us periodically to review the plan strategies.

The data used to determine the investment options is based on estimated, forward-looking performance of various asset classes and subclasses to create our forward looking capital markets assumptions (e.g., expected return, expected standard deviation, correlation, etc.). Past performance and the return estimates of the asset classes and the indexes that correspond to these asset classes may not be representative of actual future performance. Actual results could differ, based on various factors including the expenses associated with the management of the portfolio, the portfolio's securities versus the securities comprising the various indexes and general market conditions. Before a specific investment is selected, other factors such as economic trends, which may influence the choice of investments and risk tolerance, should be considered. We have the responsibility and authority to

recommend the investment line up including evaluating investment managers and mutual fund companies, individual mutual funds, and money market funds which may be retained or replaced.

We also encourage you to consult with your other professional advisors since we do not provide legal advice that may affect asset classes or allocations. We will apply guidelines you supply, as directed, however, compliance with these restrictions or guidelines, is your responsibility.

We will assist with the establishment, execution, and interpretation of the plan's investment goals and objectives as well as certain policies governing the investment of assets.

Based upon information furnished by you and your firm, we will assist in the design of the plan and incorporate the various factors into the plan such as investment objectives, risk tolerances, projected cash flow, and demographics of your retirement plan participants. It is your responsibility to provide all necessary information during the plan development phase, particularly any limitations imposed by law or otherwise. Our recommendations will then be submitted to you for review and approval. We recommend that your professional advisors, such as an attorney, actuary, and/or accountant, also review our recommendations.

Upon your final approval, it is our responsibility to adhere to these recommendations in managing the retirement program. We encourage you to review accounts periodically to verify our compliance with your selected recommendations...

Our recommendations will be reviewed at least annually to determine whether stated investment objectives are still relevant and the continued feasibility of achieving those objectives. However, our recommendations are not expected to vary much from year to year and our recommendations will not be updated to account for short term changes in market conditions or the economic environment.

We will also monitor the current managed investment line up including the investment's performance compared to an applicable benchmark. If we determine that a fund no longer meets our criteria, we will select possible alternatives and assist in the selection of a replacement investment.

If you decide to implement any of our recommendations, we will help you open a custodial account(s) for the plan. The funds in your account will be held in a separate account, in the plan's name, at an independent custodian, not with us. The custodian will effect transactions, deliver securities, make payments and do what we instruct.

We may conduct plan participant meetings when a change is made either to the structure of the plan or if the investment lineup changes as a result of our decisions. We will detail the changes being made, how it affects the current participants, review the current investment opportunities, how participants may make changes to their investment selections, and will answer any questions a participant may have. We will review with the participants how to select the investments.

We obtain information from a wide variety of publicly available sources. We do not have any inside private information about any investments that are recommended. All recommendations developed by us are based upon our professional judgment. We cannot guarantee the results of any of our recommendations. Choosing which advice to follow is your decision.

## Assets Under Management

As of December 31st 2016, Howard Bailey Securities has \$40,192,019.53 of asset under management in 1295 accounts. \$33,933,103.52 of these assets in 489 accounts is managed on a discretionary basis and \$6,258,916.01 in 127 accounts is managed on a non-discretionary basis.

## Item 5 – Fees and Compensation

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We provide asset management, financial planning, financial consulting, and qualified retirement plan consulting services for a fee.

Either party may terminate the relationship with a thirty (30) day written notice. Upon termination of any account, any prepaid fees that are in excess of the services performed will be promptly refunded to you. Any fees that are due, but have not been paid, will be billed to you and are due immediately. Given that advisory fees are charged monthly in advance, we will only bill you for appropriate number of days for the following month should you cancel mid-month. All refunds will be sent via check to the address of record within 30 days for account termination.

### Asset Management Fee Schedule

The fee charged is based upon the amount of money you invest. Multiple accounts of immediately-related family members, at the same mailing address, may be considered one consolidated account for billing purposes. Fees are charged monthly, in advance. Payments are due and will be assessed on the first day of each month, based on the ending balance of the account under management for the preceding monthly and will be calculated as follows:

Percentage	Portfolio Size (AUM)
1.75%	\$0-\$500,000
1.55%	\$500,001-\$1,000,000
1.35%	\$1,000,001-\$2,000,000
1.15%	\$2,000,001-\$3,000,000
0.95%	\$3,000,001+

The fees shown above are annual fees and may be negotiable based upon certain circumstances. No increase in the annual fee shall be effective without prior written notification to you. We believe our advisory fee is reasonable considering the fees charged by other investment advisers offering similar services/programs.

You will be billed 1/12 of the annual fee calculated on a monthly basis. No increase in the annual fee shall be effective without prior written notification to you. We believe our advisory fee is reasonable considering the fees charged by other investment advisers offering similar services/programs.

You may also pay additional advisory fees to a third party money manager depending upon which manager you select. Our fees will not be based upon a share of capital gains or capital appreciation of the funds or any portion of your funds.

Your account at the custodian may also be charged for certain additional assets managed for you by us but not held by the custodian (i.e. 401(k)s).

The fees we charge can be deducted directly from your account at the custodian. We will instruct the custodian to deduct the fees from your account at the beginning of the month. This fee will show up as a deduction on your following next account statement from the custodian.

### **Financial Planning/Consulting Fees**

Our financial planning/consulting fees range from \$200 to \$500 per hour which may be negotiable depending upon the nature and complexity of the client's circumstances. An estimate for total hours will be determined at the start of the advisory relationship.

Howard Bailey may also provide a comprehensive financial plan and/or consulting services for a fixed fee of \$1,000-10,000, which may be negotiable depending upon the nature and complexity of the client's circumstances. A deposit of 50% of the fee is due at the time the agreement is signed. The remainder of the fee is due upon presentation of a financial plan or the rendering of consulting services. Financial plans will be presented to you within 120 days of the contract date, provided that all information needed to prepare the investment plan has been promptly provided to us. The financial planning agreement will terminate once you receive the final plan.

The Financial Planning/Consulting Agreement will show the fee you will pay.

If the plan is implemented through us, we may receive compensation from the sale of insurance products or advisory services recommended in the financial plan. This compensation would be in addition to the financial planning fee you pay. The fees and expenses you pay for the purchase of these products may be more or less than the expenses you would pay should you decide to implement our recommendations through another investment advisory firm or broker-dealer and are typically determined by the broker-dealer or investment company sponsoring the product. Therefore, a conflict of interest may exist between our interests and your interests since we may recommend products that pay us compensation. We may have an incentive to recommend particular products based upon the potential compensation rather than your needs. This potential conflict is addressed in our Code of Ethics.

All recommendations developed by us are based upon our professional judgment. We cannot guarantee the results of any of our recommendations.

## Third Party Fees

Our fees do not include brokerage commissions, transaction fees, and other related costs and expenses. You may incur certain charges imposed by custodians, third party investment companies and other third parties. These include fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds, money market funds and exchange-traded funds (ETFs) also charge internal management fees, which are disclosed in the fund's prospectus. These fees may include, but are not limited to, a management fee, upfront sales charges, and other fund expenses. Certain strategies offered by us may involve investment in mutual funds and/or ETFs. Load and no load mutual funds may pay annual distribution charges, sometimes referred to as "12(b)(1) fees". These 12(b)(1) fees come from fund assets, and thus indirectly from clients' assets. We do not receive any compensation from these fees. All of these fees are in addition to the management fee you pay us. You should review all fees charged to fully understand the total amount of fees you will pay. Services similar to those offered by us may be available elsewhere for more or less than the amounts we charge. Our brokerage practices are discussed in more detail under Item 12 – Brokerage Practices.

## Qualified Retirement Plan Advisory Fee

Advisory fees for the plan are paid to us by the plan vendor. Fees are charged monthly, in advance. Payments are due and will be assessed on the first day of each month, based on the ending balance of the account under management for the preceding monthly and will be calculated as follows:

Percentage	Portfolio Size (AUM)
1.75%	\$0-\$500,000
1.55%	\$500,001-\$1,000,000
1.35%	\$1,000,001-\$2,000,000
1.15%	\$2,000,001-\$3,000,000
0.95%	\$3,000,001+

You will be billed 1/12 of the annual fee calculated on a monthly basis. No increase in the annual fee shall be effective without prior written notification to you. The advisory agreement the plan sponsor has with us will outline exactly how the fees are charged and remitted to us.

The fees shown above are annual fees and may be negotiable based upon certain circumstances. No increase in the annual fee shall be effective without prior written notification to you. We believe our advisory fee is reasonable considering the fees charged by other investment advisers offering similar services/programs.

## Other Compensation

Our Advisors may recommend and sell life, disability, health, and long-term care insurance and will receive the usual and customary commissions in addition to any agreed upon advisory fee.

While our Advisors endeavors at all times to put the interest of our clients first as part of our fiduciary duty, the possibility of receiving additional compensation creates a conflict of interest, and may affect our Advisors judgment when making recommendations. We require that all Advisors disclose this conflict of interest when such recommendations are made. Also, we require Advisors to disclose that Clients may purchase recommended securities from other registered representatives not affiliated with us.

## **Item 6 – Performance Based Fee and Side by Side Management**

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We do not charge any performance-based fees. These are fees based on a share of capital gains on or capital appreciation of the assets of a client.

## **Item 7 – Types of Client(s)**

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We provide asset management, financial planning, and financial consulting services to individuals, high net worth individuals, trusts, estates, corporate pension and profit-sharing plans, charitable organizations, foundations, endowments, corporations, small businesses and churches. We provide retirement plan services to qualified retirement plans.

We have no minimum account opening balance.

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

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### **Methods of Analysis**

We use Fundamental, Technical, and Modern Portfolio Theory as part of our overall investment management discipline; the implementation of these analyses as part of our investment advisory services to you may include any, all or a combination of the following:

#### **Fundamental Analysis**

Fundamental analysis is a technique that attempts to determine a security's value by focusing on the underlying factors that affect a company's actual business and its future prospects. Fundamental analysis is about using real data to evaluate a security's value. It refers to the analysis of the economic well-being of a financial entity as opposed to only its price movements.

The end goal of performing fundamental analysis is to produce a value that we can compare with the security's current price, with the aim of figuring out what sort of position to take with that security (underpriced = buy, overpriced = sell or short).

## **Modern Portfolio Theory (MPT)**

We use Modern Portfolio Theory to help select the funds we use in your account.

Modern portfolio theory tries to understand the market as a whole, rather than looking for what makes each investment opportunity unique. Investments are described statistically, in terms of their expected long-term return rate and their expected short-term volatility. The volatility is equated with "risk," measuring how much worse than average an investment's bad years are likely to be. The end goal is to identify your acceptable level of risk tolerance, and then to find a portfolio with the maximum expected return for that level of risk.

## **Technical Analysis**

Technical Analysis is a technique that attempts to determine a security's value by developing models and trading rules based upon price and volume transformation. Technical analysis assumes that a market's price reflects all relevant information so the analysis focuses on the history of a security's trading behavior rather than external drivers such as economic, fundamental and news events. The practice of technical analysis incorporates the importance of understanding how market participants perceive and act upon relevant information rather than focusing on the information itself. Ultimately, technical analysts develop trading models and rules by evaluating factors such as market trends, market participant behaviors, supply and demand and pricing patterns and correlations.

As with other types of analysis, the predictive nature of technical analysis can vary greatly; models and rules are often modified and updated as new patterns and behaviors develop. Past performance is not an indicator of future return.

## **Investment Strategies**

In order to perform this analysis, we use many resources, such as:

- Morningstar
- Financial newspapers and magazines (e.g. Wall Street Journal, Forbes, etc.)
- Annual reports, prospectuses, filings
- Company press releases and websites

The investment strategies we use to implement any investment advice given to you include, but are not limited to:

- Long term purchases -securities held at least a year
- Short term purchases - securities sold within a year
- Trading -securities sold within 30 days
- Short sales

## **Risk of Loss**

We cannot guarantee our analysis methods will yield a return. In fact, a loss of principal is always a risk. Investing in securities involves a risk of loss that you should be prepared to handle. You need to understand that investment decisions made for your account by us are subject to various market, currency, economic, political and business risks. The investment decisions we make for you will not always be profitable nor can we guarantee any level of performance.

A list of all risks associated with the strategies, products and methodology we offer are listed below:

### ***Bond Fund Risk***

Bond funds generally have higher risks than money market funds, largely because they typically pursue strategies aimed at producing higher yields of the risks associated with bond funds include:

- Call Risk - The possibility that falling interest rates will cause a bond issuer to redeem—or call—its high-yielding bond before the bond's maturity date.
- Credit Risk — the possibility that companies or other issuers whose bonds are owned by the fund may fail to pay their debts (including the debt owed to holders of their bonds). Credit risk is less of a factor for bond funds that invest in insured bonds or U.S. Treasury bonds. By contrast, those that invest in the bonds of companies with poor credit ratings generally will be subject to higher risk.
- Interest Rate Risk — the risk that the market value of the bonds will go down when interest rates go up. Because of this, you can lose money in any bond fund, including those that invest only in insured bonds or Treasury bonds.
- Prepayment Risk — the chance that a bond will be paid off early. For example, if interest rates fall, a bond issuer may decide to pay off (or "retire") its debt and issue new bonds that pay a lower rate. When this happens, the fund may not be able to reinvest the proceeds in an investment with as high a return or yield.

### ***Fundamental Analysis Risk***

Fundamental analysis, when used in isolation, has a number of risks:

- There are an infinite number of factors that can affect the earnings of a company, and its stock price, over time. These can include economic, political and social factors, in addition to the various company statistics.
- The data used may be out of date.
- It is difficult to give appropriate weightings to the factors.
- It assumes that the analyst is competent.
- It ignores the influence of random events such as oil spills, product defects being exposed, and acts of God and so on.

### ***Modern Portfolio Theory (MPT) Risk***

Modern Portfolio Theory tries to understand the market as a whole and measure market risk in an attempt to reduce the inherent risks of investing in the market. However, with every financial investment strategy there is a risk of a loss of principal. Not every investment decision will be profitable, and there can be no guarantee of any level of performance.

### ***Exchange Traded Fund (“ETF”) Risk***

Most ETFs are passively managed investment companies whose shares are purchased and sold on a securities exchange. An ETF represents a portfolio of securities designed to track a particular market segment or index. ETFs are subject to the following risks that do not apply to conventional funds:

- The market price of the ETF’s shares may trade at a premium or a discount to their net asset value;
- An active trading market for an ETF’s shares may not develop or be maintained; and
- There is no assurance that the requirements of the exchange necessary to maintain the listing of an ETF will continue to be met or remain unchanged

### ***Insurance Product Risk***

The rate of return on variable insurance products is not stable, but varies with the stock, bond and money market subaccounts that you choose as investment options. There is no guarantee that you will earn any return on your investment and there is a risk that you will lose money. Before you consider purchasing a variable product, make sure you fully understand all of its terms. Carefully read the prospectus. Some of the major risks include:

- Liquidity and Early Withdrawal Risk – There may be a surrender charges for withdrawals within a specified period, which can be as long as six to eight years. Any withdrawals before a client reaches the age of 59 ½ are generally subject to a 10 percent income tax penalty in addition to any gain being taxed as ordinary income.
- Sales and Surrender Charges – Asset-based sales charges or surrender charges. These charges normally decline and eventually are eliminated the longer you hold your shares. For example, a surrender charge could start at 7 percent in the first year and decline by 1 percent per year until it reaches zero.
- Fees and Expenses – There are a variety of fees and expenses which can reach 2% and more such as:
  - Mortality and expense risk charges
  - Administrative fees
  - Underlying fund expenses
  - Charges for any special features or riders.
- Bonus Credits – Some products offer bonus credits that can add a specified percentage to the amount invested ranging from 1 percent to 5 percent for each premium payment.

Bonus credits, however, are usually not free. In order to fund them, insurance companies typically impose high mortality and expense charges and lengthy surrender charge periods.

- Guarantees – Insurance companies provide a number of specific guarantees. For example, they may guarantee a death benefit or an annuity payout option that can provide income for life. These guarantees are only as good as the insurance company that gives them.
- Market Risk – The possibility that stock fund or bond fund prices overall will decline over short or even extended periods. Stock and bond markets tend to move in cycles, with periods when prices rise and other periods when prices fall.
- Principal Risk – The possibility that an investment will go down in value, or "lose money," from the original or invested amount.

### ***Mutual Funds Risk***

The following is a list of some general risks associated with investing in mutual funds.

- Country Risk - The possibility that political events (a war, national elections), financial problems (rising inflation, government default), or natural disasters (an earthquake, a poor harvest) will weaken a country's economy and cause investments in that country to decline.
- Currency Risk -The possibility that returns could be reduced for Americans investing in foreign securities because of a rise in the value of the U.S. dollar against foreign currencies. Also called exchange-rate risk.
- Income Risk - The possibility that a fixed-income fund's dividends will decline as a result of falling overall interest rates.
- Industry Risk - The possibility that a group of stocks in a single industry will decline in price due to developments in that industry.
- Inflation Risk - The possibility that increases in the cost of living will reduce or eliminate a fund's real inflation-adjusted returns.
- Manager Risk -The possibility that an actively managed mutual fund's investment adviser will fail to execute the fund's investment strategy effectively resulting in the failure of stated objectives.
- Market Risk -The possibility that stock fund or bond fund prices overall will decline over short or even extended periods. Stock and bond markets tend to move in cycles, with periods when prices rise and other periods when prices fall.
- Principal Risk -The possibility that an investment will go down in value, or "lose money," from the original or invested amount.

### ***Stock Fund Risk***

Overall "market risk" poses the greatest potential danger for investors in stocks funds. Stock prices can fluctuate for a broad range of reasons, such as the overall strength of the economy or demand for particular products or services.

### ***Technical Analysis risk***

- Technical analysis is derived from the study of market participant behavior and its efficacy is a matter of controversy.
- Methods vary greatly and can be highly subjective; different technical analysts can sometimes make contradictory predictions from the same data.
- Models and rules can incur sufficiently high transaction costs.

### ***Overall Risks***

Clients need to remember that past performance is no guarantee of future results. All funds carry some level of risk. You may lose some or all of the money you invest, including your principal, because the securities held by a fund goes up and down in value. Dividend or interest payments may also fluctuate, or stop completely, as market conditions change.

Before you invest, be sure to read a fund's prospectus and shareholder reports to learn about its investment strategy and the potential risks. Funds with higher rates of return may take risks that are beyond your comfort level and are inconsistent with your financial goals.

While past performance does not necessarily predict future returns, it can tell you how volatile (or stable) a fund has been over a period of time. Generally, the more volatile a fund, the higher the investment risk. If you'll need your money to meet a financial goal in the near-term, you probably can't afford the risk of investing in a fund with a volatile history because you will not have enough time to ride out any declines in the stock market.

## **Item 9 – Disciplinary Information**

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Registered Investment Advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of us or the integrity of our management. We do not have any information to disclose concerning Howard Bailey or any of our Advisors. We adhere to high ethical standards for all Advisors and associates.

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

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Neither Howard Bailey nor any of its management persons are registered as a broker-dealer or registered as a representative of a broker-dealer, nor does it have any pending application to register. In addition, neither Howard Bailey nor its management persons are affiliated with any broker-dealer.

Howard Bailey and its management persons are not registering as a commodity pool operator, futures commission merchant, or commodity trading advisor.

## **Other Financial Industry Affiliations**

The Advisors of Howard Bailey have the following outside business activities and/or affiliations to disclose.

Casey Weade and some of the investment adviser representatives of Howard Bailey are licensed insurance agents/brokers with various companies. The sale of these products accounts for approximately 35% of their time.

They may recommend insurance products and may also, as independent insurance agents, sell those recommended insurance products to clients. When such recommendations or sales are made, a conflict of interest exists as the insurance licensed Advisors earn insurance commissions for the sale of those products, which may create an incentive to recommend such products. We require that all IARs disclose this conflict of interest when such recommendations are made. Also, we require Advisors to disclose that clients may purchase recommended insurance products from other insurance agents not affiliated with us.

Casey Weade is Managing Member of Weade Real Estate LLC. Weade Real Estate LLC is a holding company for family real estate investments. Clients are not solicited into these or any other real estate investments. He is also the co-owner of Howard Bailey, Inc. Howard Bailey, Inc. is the marketing company for Howard Bailey Financial, Inc. Casey Weade is the owner of Howard Bailey Risk Management LLC which handle the risk management for Howard Bailey Financial, Inc. This accounts for 5% of his time.

## **Selection of Other Advisers**

Howard Bailey will be compensated by the third party manager(s) from the advisory fees collected from the client. Details of these fees are/will be described in Item 5 – Fees and Compensation. Fees are generally 1.00% per annum. This causes a conflict of interest in recommending certain third party managers since we may receive compensation for referring clients to these vendors. In order to mitigate this conflict of interest, we require all Advisors to inform the client that they are under no obligation to implement any recommendations made by us or the third party manager.

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

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### **General Information**

We have adopted a Code of Ethics for all supervised persons of the firm describing its high standards of business conduct, and fiduciary duty to you, our client. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts, the reporting of certain gifts and business entertainment items, and personal securities trading procedures. All of our supervised persons must acknowledge the terms of the Code of Ethics annually, or as amended.

## Participation or Interest in Client Accounts

Our Compliance policies and procedures prohibit anyone associated with Howard Bailey from having an interest in a client account or participating in the profits of a client's account without the approval of the CCO.

The following acts are prohibited:

- Employing any device, scheme or artifice to defraud
- Making any untrue statement of a material fact
- Omitting to state a material fact necessary in order to make a statement, in light of the circumstances under which it is made, not misleading
- Engaging in any fraudulent or deceitful act, practice or course of business
- Engaging in any manipulative practices

Clients and prospective clients may request a copy of the firm's Code of Ethics by contacting the CCO.

## Personal Trading

We may recommend securities to you that we will purchase for our own accounts. We may trade securities in our account that we have recommended to you as long as we place our orders after your orders. This policy is meant to prevent us from benefiting as a result of transactions placed on behalf of advisory accounts.

Certain affiliated accounts may trade in the same securities with your accounts on an aggregated basis when consistent with our obligation of best execution. When trades are aggregated, all parties will share the costs in proportion to their investment. We will retain records of the trade Order (specifying each participating account) and its allocation. Completed Orders will be allocated as specified in the initial trade order. Partially filled Orders will be allocated on a pro rata basis. Any exceptions will be explained on the Order.

Howard Bailey has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of "Access Persons". The policy requires that an Access Person of the firm 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 the Adviser selects; provided, however that at any time that the Adviser has only one Access Person, he or she shall not be required to submit any securities report described above.

We have established the following insider trading restrictions in order to ensure our fiduciary responsibilities to you are met:

- No securities for our personal portfolio(s) shall be bought or sold where this decision is substantially derived, in whole or in part, from the role of Advisors of Howard Bailey, unless the

information is also available to the investing public on reasonable inquiry. In no case, shall we put our own interests ahead of yours.

## **Privacy Statement**

We are committed to safeguarding your confidential information and hold all personal information provided to us in the strictest confidence. These records include all personal information that we collect from you or receive from other firms in connection with any of the financial services they provide. We also require other firms with whom we deal with to restrict the use of your information. Our Privacy Policy is available upon request.

## **Conflicts of Interest**

Howard Bailey's Advisors may employ the same strategy for their personal investment accounts as it does for its clients. However, Advisors may not place their orders in a way to benefit from the purchase or sale of a security.

We act in a fiduciary capacity. If a conflict of interest arises between us and you, we shall make every effort to resolve the conflict in your favor. Conflicts of interest may also arise in the allocation of investment opportunities among the accounts that we advise. We will seek to allocate investment opportunities according to what we believe is appropriate for each account. We strive to do what is equitable and in the best interests of all the accounts we advise.

## **Use of Disclaimers**

We shall not attempt to limit liability for willful misconduct or gross negligence through the use of disclaimers.

## **Item 12 – Brokerage Practices**

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### **Factors Used to Select Custodians**

In recommending a custodian/broker-dealer, we look for a company that offers relatively low transaction fees, access to desired securities, trading platforms, and support services. We may recommend clients use Fidelity as the qualified custodian for their accounts when utilizing our asset management services.

### **Soft Dollars**

Fidelity and other third party managers may provide us with certain brokerage and research products and services that qualify as "brokerage or research services" under the rules. These research products and/or services will assist the Advisor in its investment decision making process. Such research generally will be used to service all of the Advisor's clients, but brokerage commissions paid by the client may be used to pay for research that is not used in managing the client's account. The account may pay to a broker-dealer a commission greater than another qualified broker-dealer might charge to effect the same transaction where the Advisor determines in good faith that the commission is reasonable in relation to the value of the brokerage and research services received.

Because soft dollar benefits could be considered to provide a benefit to the adviser that might cause the client to pay more than the lowest available commission without receiving the most benefit, they are considered a conflict of interest in recommending or directing custodial and third party managerial services. Howard Bailey mitigates these conflicts of interest through strong oversight of soft-dollar arrangements by the Chief Compliance Officer, in order to assure the soft dollar benefits serve the best interests of the client.

There may other benefits from recommending Fidelity or other third party managers such as software and other technology that (i) provide access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing and other market data; (iv) facilitate payment of fees from its clients' accounts; and (v) assist with back-office functions, recordkeeping and client reporting.

Other services may include, but are not limited to, performance reporting, financial planning, contact management systems, third party research, publications, access to educational conferences, roundtables and webinars, practice management resources, access to consultants and other third party service providers who provide a wide array of business related services and technology with whom Howard Bailey may contract directly. Howard Bailey may receive seminar expense reimbursements from product sponsors which may be based on the sales of products to their clients.

Soft dollar benefits may be proportionally allocated to any accounts that may generate different amounts of the soft dollar benefits.

## **Best Execution**

We have an obligation to seek best execution for you. In seeking best execution, the determinative factor is not the lowest possible commission cost but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Therefore, we will seek competitive commission rates, but we may not obtain the lowest possible commission rates for account transactions.

## **Brokerage for Client Referrals**

In selecting and/or recommending broker-dealers, we do not take into consideration whether or not we will receive client referrals from the broker-dealer or third party.

## **Directed Brokerage**

We do not permit directed brokerage. We will require you to use the custodian of our choosing as the custodial firm.

## **Trading**

Transactions for each client account generally will be effected independently, unless we decide to purchase or sell the same securities for several clients at approximately the same time. We may (but are not obligated to) combine or "batch" such Orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among our clients' differences in prices and

commission or other transaction costs. Under this procedure, transactions will be price-averaged and allocated among our clients in proportion to the purchase and sale orders placed for each client account on any given day.

Transactions placed in an asset management account by a third party manager will be executed through their broker-dealer or custodian. In determining best execution for these transactions, the third party manager is looking at whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. While they look for competitive commission rates, they may not obtain the lowest possible commission rates for account transactions. The aggregation and allocation practices of mutual funds and third party managers that we recommend to you are disclosed in the respective mutual fund prospectuses and third party manager disclosure documents which will be provided to you.

### **Qualified Retirement Plan Trading**

We do not accept trading authorization with respect to any participants' plan account.

## **Item 13 – Review of Accounts**

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### **Reviews**

Reviews are conducted at least annually or as agreed to by us. Reviews will be conducted by our President Casey Weade. You may request more frequent reviews and may set thresholds for triggering events that would cause a review to take place. Generally, we will monitor for changes and shifts in the economy, changes to the management and structure of a mutual fund or company in which client assets are invested, and market shifts and corrections.

### **Qualified Retirement Plan Reviews**

We will meet with the plan's Investment Committee at least annually to review the current investments, as well as custodial and service provider arrangements. Unless directed to do so by the Investment Committee, we will only review custodial and service provider arrangements on an annual basis.

### **Reports**

We do not provide any other statements except the one provided by your custodian, along with an invoice copy.

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

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We may receive economic benefit from someone who is not a client for providing investment advice or other advisory services to our clients. Howard Bailey will be compensated by the third party manager(s) from the advisory fees collected from the client. This may cause a conflict of interest in recommending

certain third party managers since we may receive compensation for referring clients to these vendors. In order to mitigate this conflict of interest, we require all Advisors to inform the client that they are under no obligation to implement any recommendations made by us or the third party manager.

Additionally, we may pay compensation to a third party if they refer clients to us. Prior to paying such referral fees, we will verify that the third party is appropriately registered to receive such compensation.

## **Item 15 – Custody**

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We do not have physical custody of any accounts or assets. However, we may be deemed to have custody of your account(s) if we have the ability to deduct your advisory fees from the custodian. We use Fidelity as the custodian and/or broker-dealer for all your accounts. You should receive at least quarterly statements from the broker-dealer or custodian that holds and maintains your investment assets. We urge you to carefully review such statements.

We do not debit the client fees directly from your advisory account. We send information to your custodian to debit your fees and to pay them to us. You authorized the custodian to pay us directly at the onset of the relationship.

### **Qualified Retirement Plan Custody**

We do not have actual or constructive custody of any client's account. We do not have the ability to deduct fees directly from the plan accounts.

## **Item 16 – Investment Discretion**

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We usually receive discretionary authority from you at the beginning of an advisory relationship to select the identity and amount of securities to be bought or sold. This information is described in the Advisory Agreement you sign with us. In all cases, however, this discretion is exercised in a manner consistent with your stated investment objectives for your account.

When selecting securities and determining amounts, we observe the investment policies, limitations and restrictions you have set. For registered investment companies, our authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

We require that any investment guidelines and/or restrictions be provided to us in writing.

Prior to assuming discretionary authority, clients must execute the Advisory Agreement. Execution of the Advisory Agreement grants us the authority to determine, without obtaining specific client consent, both the amount and the type of securities to be bought and sold to help achieve the client account objectives.

The third party money manager and/or custodians may have discretion over your account. The Advisory Agreement details this in full.

### **Qualified Retirement Plan Advisory Services**

Our recommendations regarding our qualified retirement plan consulting services are made on a non-discretionary basis. The plan sponsor retains the decision making authority over the plan. When recommending securities, we observe the investment policies, limitations, and restriction set by the plan and plan sponsor.

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

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As a matter of firm policy and practice, we do not have any authority to and do not vote proxies on behalf of advisory clients. You retain the responsibility for receiving and voting proxies for any and all securities maintained in your portfolios. We may provide advice to you regarding your voting of proxies. We are authorized to instruct the custodian to forward you copies of all proxies and shareholder communications relating to your account assets.

## **Item 18 – Financial Information**

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We are required to provide you with certain financial information or disclosures about our financial condition. We have no financial commitment that would impair our ability to meet any contractual and fiduciary commitments to you, our client. We have not been the subject of any bankruptcy proceedings. In no event shall we charge advisory fees that are both in excess of five hundred dollars and more than six months in advance of advisory services rendered.

## **Item 19 – Requirements for State Registered Advisers**

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### **Principals**

There are two principals of Howard Bailey, Casey Weade and Ron Weade. Casey is the President and was born in 1986. His education information, business background, and other business activities can be found in the Form ADV Part 2B Brochure Supplement below.

Ron Weade is a minority owner of Howard Bailey, however he is not involved in the day to day operations.

### **Performance Fees**

We do not charge a performance-based fee (fees based on a share of capital gains on, or capital appreciation of, the assets of a client) for our normal asset management accounts.

## **Disclosable Events**

Neither Howard Bailey nor Casey Weade has no reportable events to disclose here.

## **Other Relationships**

Neither Howard Bailey nor Casey Weade has any relationship with any issuer of securities

