



## Form ADV Part 2A Brochure

### **Burney Wealth Management**

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This brochure provides information about the qualifications and business practices of the Burney Company. If you have any questions about the contents of this brochure, please contact us at (703) 241-5611. 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 the Burney Company is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for the Burney Company is 106945.

The Burney Company is a Registered Investment Adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

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## ITEM 2 – MATERIAL CHANGES

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**The Burney Company's Wealth Management Brochure (ADV Part 2A) is separate and distinct from the Burney Company Brochure.**

The Burney Company's Brochure (ADV Part 2A) has been updated with the following material changes that have occurred since the last annual update of our brochure on 03/2019:

- ❖ There have been no material changes to the ADV since it was last updated.

To obtain a copy of The Burney Company Brochure (ADV Part 2A) or Privacy Policy, please visit our website at [www.burney.com](http://www.burney.com) and select “ADV” at the bottom of the page or you may contact your portfolio manager to mail you a hard copy. Portfolio managers can also provide you a copy of their individual brochure supplements that contains information regarding the financial advisor and their employees.



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## ITEM 4 – ADVISORY BUSINESS

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### A. General Description of Advisory Firm

The Burney Company is an equity research and investment management firm that seeks to maximize long-term returns using proprietary fundamental/quantitative techniques and analysis. Founded in 1974 by Brig. General John C. Burney who pioneered work in this area beginning in the early 1950s, Burney Company has expanded to offices around the country.

The principal owners of the company are General Burney and his wife, Mary Burney, Lowell Pratt, Bill Stewart, Martin Walsh, Alex Shen, Richard Bauchspies, Gil Green, and Tom Hunt.

### B. Advisory Services

#### Investment Advisory Services

The Burney Company provides investment advisory services and portfolio management mostly for individual investors but will also service the portfolios of small businesses, pension and profit-sharing plans, trusts, estates, and charitable organizations. Domestic equities, by far, constitute the primary type of investment, though, at the client's direction, non-equity investments are used to create income, provide stability, and enhance portfolio diversity.

#### Financial Planning Services

For those clients who seek additional guidance, the Burney Company also offers financial planning services. These services may include, but are not limited to, planning for retirement, education savings, philanthropy, tax and estate matters, and guidance related to mortgage and insurance topics. To perform these services, the Burney Company will conduct a general review of a client's financial matters, which may include, among other things, retirement needs, cash flows, balance sheets, investments, insurance and tax matters. Generally, the resulting financial plan is designed to be a financial model developed to assist the client in making current and future financial decisions to achieve or maintain financial independence.

Specific recommendations may be developed based on this planning. Should the client choose to implement the recommendations contained in the plan, it is recommended that the client work closely with his/her attorney, accountant, insurance agent, and/or investment advisor. Implementation of the resulting recommendations is entirely at the client's discretion.

In performing these services, our Certified Financial Planner may collaborate with the client's accountant, estate and trust lawyer, and other advisors. The Burney Company does not provide legal advice or draft legal documents. We handle all the technical aspects of portfolio management and make certain that our policies and procedures satisfy all state and federal regulations.



These services are provided under a separate agreement between the client and the Burney Company. The scope and term of the planning is agreed upon in advance with the client.

### **C. Availability of Tailored Services for Clients**

While equities provide the greatest long-term return opportunity, non-equity allocations are used to create income, provide stability and enhance portfolio diversity. Bonds, Preferred Stocks, Real Estate Investment Trusts (REITs), Master Limited Partnerships (MLPs), Managed Futures, and International Equities are the major diversifying assets. However, how much to allocate to each is much more than just a function of age. Temperament, investment experience, income requirements and an investor's true time horizon (investing for themselves vs. their heirs) are integral. Burney does not exercise discretion with respect to asset allocation or, unless the client requests Financial Planning Services as set forth above, offer asset allocation advice, but will execute other than all equity investment plans when directed to do so by a client. Clients who elect a 100% equity allocation will have Capital Appreciation and/or Total Return as their primary investment objective and demonstrate a risk tolerance sufficient to accept the volatility inherent in a portfolio limited to equity securities.

Clients may place limitations on which securities may be purchased for their accounts. For example, liquor or nuclear power companies may be prohibited.

Some clients elect to have their portfolios managed as clones of the company's Master Portfolio. In such cases, securities bought and sold mirror the transactions in the Master Portfolio. There is no discretion to vary from the Master Portfolio without client consent.

Our Customized Portfolios, model portfolios, and the Burney Master Portfolio combine a strategic perspective on Size and Style with Burney's time-tested stock selection methodology. The Master Portfolio provides a classic value-oriented approach, while customized and model portfolios are more adaptive to each client's specific situation.

### **D. Wrap Fee Programs**

Some clients of the Burney Company are involved in "wrap fee" arrangements that they have arranged with brokers. Wrap fees include brokerage commissions, custodial charges, portfolio management, performance reporting, and monitoring. Wrap fee accounts are managed in the same manner as other Burney Company accounts, and these clients have the same access to their Portfolio Managers as all other clients. Wrap fees paid to brokerages range from 2% to 3% of assets under management. The Burney Company receives its standard management fee from the total wrap fee paid by the client to the broker.



## E. Managed Assets

The Burney Company's total discretionary assets under management are approximately \$2.1 Billion as of December 31, 2019. Each Portfolio Manager manages his/her own accounts. There are no non-discretionary assets.

## ITEM 5 – FEES AND COMPENSATION

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### A. Fees and Compensation

Burney Company offers its services on a fee basis, primarily based upon assets under management but also including hourly and/or fixed fees.

Management fees are based on the market value of assets under management at the end of the quarter. Annual rates, charged quarterly, are:

Account value to \$2,000,000.....	1.25%
Account values from \$2,000,000 - \$5,000,000.....	1.00%
Account values from \$5,000,000 - \$10,000,000.....	0.90%
On additional value over \$10,000,000.....	0.75%
Additional planning and consulting services.....\$250 per hour	
Minimum fee is \$2500	

Fees are negotiable, depending on the level and scope of the services. Fees are payable after the end of each quarter in which services are provided or as agreed upon with the Portfolio Manager/Planner. The client may terminate services at any time by written notification.

PMs may assess additional fees for voting proxies or writing options contracts. These fees may be fixed or variable, but the annual rate for option overlay accounts will not exceed 1.25% of the market value of assets under management.

If it is mutually agreed between the Client and Burney Company, the Client may pay a monthly or quarterly retainer fee for Wealth Management Services provided by Burney Company. If agreed to by Client and Advisor an annual increase may be stipulated in the Client Agreement.

Upon his approval, a client will be assigned to another Portfolio Manager if his own Portfolio Manager retires or becomes incapacitated. In such a case, there would be no change in fees or the management of the account. Fees will be billed by and paid to the new Portfolio Manager at the end of the current quarter.





The client's assets will be maintained at a brokerage selected by the client. Each broker has fees that will be incurred for trades.

While the client selects the brokerage, we are sometimes asked to suggest one. Suggestions are based on the broker's commission rates, accuracy and responsiveness in effecting transactions, clarity of monthly statements, and proximity of the broker to the client. Reasonableness of commissions is determined by comparing the rates of various brokerages. All transactions for a given client are executed through the broker selected by the client. Clients who select a broker not suggested by us may be charged higher commission rates than those clients selecting one of our recommended brokers.

Please see the section on "Brokerage Practices" for further information.

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

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### **A. Performance-Based Fees**

The Burney Company does not charge performance-based fees. Fee structure is discussed in more detail in [Item 5](#).

### **B. Side-By-Side Management**

The Burney Company does not practice side-by-side management.

## **ITEM 7 – TYPES OF CLIENTS**

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### **A. Clients and Minimum Account Requirements**

The Burney Company mostly provides investment advice to individuals; however, we also serve pension and profit-sharing plans, trusts, estates, and charitable organizations.

The standard minimum account size for the Burney Company is \$750,000. However, portfolio managers can accept portfolios of lesser value at their discretion.



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

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### A. Methods of Analysis and Investment Strategies

#### Overview

Though most material information is "efficiently" embedded in the price of a stock, the market makes systematic pricing errors that can be identified and exploited using quantitative techniques. Employing proprietary methods developed over the past half century, Burney analyzes a factor library containing over a thousand descriptors of a company's Growth, Valuation, Profitability, Safety, and Technical attributes. Factors associated with excess return are used in analytical models that score stocks based on their excess return potential.

Our Customized Portfolios, model portfolios, and the Burney Master Portfolio combine a strategic perspective on Size and Style with Burney's time-tested stock selection methodology. The Master Portfolio provides a classic value-oriented approach, while a customized or model portfolio is more adaptive to each client's specific situation. Both offer a history of client satisfaction.

#### Customized Portfolios

Customized Portfolios may be constructed using the Burney Company's proprietary stock selection process by itself or in conjunction with the Size and Style Analysis principles of Nobel Laureate William Sharpe. Sharpe discovered and proved that Size and Style are important variables in determining an equity portfolio's return.

Over the long-term, Small-Cap stocks have outperformed Large-Cap stocks. However, this return advantage is not consistent, as Large-Cap stocks periodically enjoy long periods (typically 3-6 years) of superior return. Burney's investment strategy attempts to exploit this by adjusting portfolios to capture the opportunities available during both Large- and Small-Cap market phases.

Similarly, Value stocks have delivered higher returns; however, cycles (typically 18 - 30 months long) periodically occur where the reverse is true. Burney's investment strategy strives to capture the opportunities available during both value and growth market phases.

#### The Burney Master Portfolio

The Master Portfolio combines a traditional approach to investing with a focus on solid, undervalued stocks. Established at the company's founding in October 1974, its documented long-term performance is the result of the consistent application of Burney's proprietary analytical methods.



The Burney Master Portfolio was established to provide a measure of investment performance. It was initiated with the first ten stocks purchased for clients after the company's founding in October 1974. For the Master Portfolio, an assumed \$10,000 was invested in each of ten stocks on the day and at the price per share that each stock was first purchased for a client. Sales for the Master Portfolio were recorded when actual sales were executed for the client portfolios. Proceeds from sales were reinvested for the Master Portfolio in the same securities selected for client portfolios. This method of matching an actual client account transaction with a virtual transaction in the Master Portfolio remains the same. We offer clients the option to have their portfolios managed to replicate the Master Portfolio.

We wish to point out that past performance is not a guarantee of future results and that there can be no assurance that the performances of personally tailored portfolios will equal that of the Master Portfolio. Equity investment includes the risk of loss. Portfolios with significant fixed income and money market investments have under-performed the Master. Furthermore, clients with personally managed portfolios do not own the same stocks that comprise the Master because some Master stocks may not fit the investment objectives and risk tolerance of the client.

### **Options**

At the client's written direction, options may be used in the management of client assets. Covered calls may be sold to generate income and/or puts may be bought to protect position or portfolio downside. Clients must acknowledge an appropriate disclosure of the risk and reward implications including the fact that either option strategy will decrease expected return. Options will not be used in an attempt to time the market. Options are to be used either in a consistent, strategic manner in the case of covered calls or to allay a specific client concern in the case of puts.

### **Margin Transactions**

Margin transactions are a securities transaction in which an investor borrows money to purchase a security, in which case the security serves as collateral on the loan.

### **Short Sales**

A Portfolio Manager may have both bullish and bearish opinions on various securities. In order to more efficiently incorporate their bearish view, a Portfolio Manager may "sell short" a particular security within a client's portfolio. A "short sale" works by borrowing a security from a brokerage firm and selling it immediately, hoping to buy it back later at a lower price. Thus, a short seller hopes that the price of a stock will go down in the near future, generally using declines in the market to their advantage. The short seller makes money when the stock prices fall and loses when prices go up. The SEC has strict regulations in place regarding short selling. Short sales are only to be using in conjunction with the Long-Short strategy described next unless specifically requested by a client.



## Long-Short Strategies

Long-Short strategies are a broad category of investment strategies that invest both long and short various securities. A common strategy is a 130-30 strategy in which 130% of the capital in an account is invested long and 30% invested short so that the net exposure to the stock market is 100%. The goal of such a strategy is to achieve market-like returns with additional return generated from the differential between the long and short securities. Other long-short strategies may aim to reduce the exposure to the stock market by investing 100% long and a portion, up to 100% in the case of market neutral strategies, short. These strategies result in less net exposure to the stock market as the short portfolio offsets the exposure from the long portfolio.

## Vertical Call Credit Spreads (VCCS)

A Vertical Call Credit Spread (VCCS) is an options overlay strategy designed to generate income from an equity portfolio in flat to declining markets. The strategy involves selling a call on an out of the money option (short call) and simultaneously buying the same call option with a further out of the money strike price (long call). Because the nearer the money call is more valuable, a credit results from the difference between the premium received from the short call and premium paid on the long call. To lessen trading costs, index options (such a SPX) are utilized as a proxy for the full portfolio rather than individual equity options.

## High Probability Leveraged Credit Spreads

In addition to the Equity Portfolio, Burney Company may use ZEGA Financial, LLC (ZEGA) as a sub advisor to employ its high probability leveraged credit spread strategy.

The Strategy's investments are expected to include primarily index options. While the number of its holdings may vary based upon market conditions and other factors, the Strategy intends to take advantage of the natural time decay of options. The Strategy does not intend to utilize margin or borrow funds for investment purposes.

The Sub advisor intends to regularly sell vertical credit spreads, which involves buying one option and selling another option of the same type within the same expiration month. The Sub advisor typically sells spreads expiring in the near term and targets returns of 2-4% for every spread trade.

The Strategy expects to utilize the following strategies:

Trading Vehicles: This strategy sells options on broad based indexes such as the NASDAQ 100, S&P 500 or Russell 2000. Indexes are used to remove single stock risk and provide the stability of a multi-stock index against tail risk. The options are also traded in near term expiration periods to limit market exposure.

Directional flexibility: High probability leveraged credit spreads have the potential to be effective in all environments and can be used in both up and down markets regardless of the length of time these trends extend.



Leverage: Options inherently use leverage and control a much larger notional market value than their direct costs. This can also be exaggerated through the use of spreads. However, the Strategy does not intend to utilize margin or otherwise borrow.

The Strategy is expected to hold liquid assets to the extent required for purposes of liquidity management.

The sub advisor's investment strategy is speculative and entails substantial risk of loss. There can be no assurance that the investment objective of the Strategy will be achieved.

For a more complete explanation of risks, see next section.

## **B. Risks of Investment Strategies**

### **Equity Portfolios**

The Burney Company mostly manages all equity portfolios, which are subject to stock market volatility. All investments in securities and other financial instruments involve substantial risk of volatility (potentially resulting in rapid declines in market prices and significant losses) arising from any number of factors that are beyond the control of the advisor, such as: changing market sentiment; changes in industrial conditions, competition and technology; changes in inflation, exchange or interest rates; changing domestic or international economic or political conditions or events; changes in tax laws and governmental regulation; and changes in trade, fiscal, monetary or exchange control programs or policies of governments or their agencies (including their central banks). Changes such as these, as well as innumerable other factors, are often unpredictable and unforeseeable, rendering it difficult or impossible to predict or foresee future market movements. Unexpected volatility or illiquidity in the markets in which the Strategy holds positions could impair its ability to achieve its objective and cause it to incur losses.

The Company also actively manages portfolios so there is a risk of tracking errors as we tilt portfolios with respect to size and style (SSR). The average position holding period is 1 to 3 years. See also explanation above in section [Item 8.A](#).

### **Short Sales**

Short selling is very risky. Due to the asymmetric return potential of a short sale, investors should exercise caution before short selling is implemented. The upside of a short sale is limited to 100% of the investment but there is no ceiling on potential losses as the stock can theoretically keep rising forever. As such, there is unlimited loss potential in a short sale.

A short seller must also pay dividends on the borrowed securities. If the company declares huge dividends or issues bonus shares, the short seller will have to pay that amount to the lender. Such

corporate actions by the company whose securities have been sold short can negatively impact the investment.

At any time, the brokerage firm can "call away" any borrowed securities. If shares of a short investment are called away, the short-seller will be forced to buy back shares to cover the short position at the current market price. If the price of the security is above the value at which it was originally shorted, losses will be realized even if the short-seller would prefer to hold onto the investment.

Margin interest can be a significant expense. Since short sales can only be undertaken in margin accounts, the interest payable on short trades can be substantial, especially if short positions are kept open over an extended period.

Shares that are difficult to borrow - because of high short interest, limited float, or any other reason - have "hard-to-borrow" fees. These fees are based on an annualized rate that can range from a small fraction of a percent to more than 100% of the value of the short trade. The hard-to borrow rate can fluctuate substantially daily; therefore, the exact dollar amount of the fee may not be known in advance and may be substantial.

Short selling will only occur as part of a Long-Short portfolio management strategy (see below) to mitigate risk. Short selling will not be done separately unless at a client's direction. Stocks sold short must have Scores in the sell range or possibly the hold range with certain other Burney sell indicators present. A stock sold short cannot be a candidate for buying per Burney Score buying rules.

### **Margin Transactions**

If the value of the shares drops sufficiently, the investor will be required to either deposit more cash into the account or sell a portion of the stock in order to maintain the margin requirements of the account. This is known as a "margin call." An investor's overall risk includes the amount of money invested plus the amount that was loaned to them.

### **Long-Short Strategies**

While some long-short strategies reduce exposure to the stock market, not all do. The type of long-short strategy being implemented should be understood before its implementation. The net exposure of the long-short strategy informs the amount of risk taken by the portfolio. For example, a 130-30 Long-Short Portfolio has the same exposure to the stock market as a 100% equity portfolio. The short portion of the portfolio will not protect against market declines in a portfolio with 100% net exposure to the stock market.

The short portion of any long-short portfolio carries the risks associated with short selling and the long portion carries the risks associated with investing in equities.



With the Long-Short strategy there is an unlikely, but possible, conflict of interest if a client requests a portfolio manager to short a stock while at the same time another portfolio manager may be long. See [Item 11.D.](#) for more information.

### **Vertical Call Credit Spreads Risks (VCCS)**

Investors can expect to generate income during flat to declining markets and negative returns during rising markets with this strategy. Over long periods of time (many years), VCCS should prove relatively performance neutral. The purpose of this strategy is to shift the timing of returns from strong market periods to weak ones and to provide cash flow during weak periods from captured credit spreads to supplement equity dividends. During rising markets, losses will occur that lessen portfolio upside.

VCCS does not materially lessen the volatility inherent in an equity portfolio. This strategy is only appropriate for committed equity investors with income requirements that exceed dividends.

### **High Probability Leveraged Credit Spread Strategy Risks**

The foregoing Supplemental Strategy is subject to certain risks, including without limitation:

All investments in securities and other financial instruments involve substantial risk of volatility (potentially resulting in rapid declines in market prices and significant losses) arising from any number of factors that are beyond the control of the Sub advisor, such as: changing market sentiment; changes in industrial conditions, competition and technology; changes in inflation, exchange or interest rates; changing domestic or international economic or political conditions or events; changes in tax laws and governmental regulation; and changes in trade, fiscal, monetary or exchange control programs or policies of governments or their agencies (including their central banks). Changes such as these, as well as innumerable other factors, are often unpredictable and unforeseeable, rendering it difficult or impossible to predict or foresee future market movements. Unexpected volatility or illiquidity in the markets in which the Strategy holds positions could impair its ability to achieve its objective and cause it to incur losses.

Although the sub advisor believes that the Strategy's investment program should mitigate the risk of loss through a careful selection and monitoring of investments, an investment in the Strategy is nevertheless subject to loss, including possible loss of the entire amount invested. No guarantee or representation is made that the Strategy will be successful, and the Strategy's investment results may vary substantially over time.

Sudden and sharp moves in the market that cause volatility to spike upwards can create negative pricing pressure on the Sub advisor's trading strategy. These events are sometimes called market crashes (*i.e.*, sudden downward moves in the market). Market crashes are sometimes caused by unforeseen events inside or outside of the market that can cause the market to sell off and decline. These unforeseen events are sometimes called "Black Swan" events. A Black Swan event can cause a loss for the strategy that, in rare cases, can approach or be as much as 100%. Losses in the 30-50% range will be more



common, likely occurring once every 5-10 years. This downside risk is not unlike an individual stock where 30-50% losses are fairly routine with the potential for 100% loss of capital. As with individual stocks, it is important to view this risk through the prism of a diversified account.

*In order to control exposure of client's capital to risk, the following restrictions are in place: 1) only clients with at least \$1MM of total investible capital (stocks & bonds, excluding things like houses or cars) are eligible for this strategy, 2) a PM will invest no more than 20% of a client's total investible capital with Zega, and 3) any time the Zega AUM has grown by 50%, the PM will need to pare exposure back to meet the requirement of no more than 20% of assets can be invested.*

### Derivatives Risk

The Strategy may use financial instruments known as derivatives. A derivative is generally defined as an instrument whose value is derived from, or based upon, some underlying index, reference rate (such as interest rates or currency exchange rates), security, commodity, or other asset. Following is a description of the derivatives that the Strategy may use:

#### Call and Put Options on Securities Indexes

The Strategy may purchase and sell call and put options on stock indexes listed on national securities exchanges. A stock index fluctuates with changes in the market values of the stocks included in the index. Accordingly, successful use by the Strategy of options on stock indexes will be subject to the ability to correctly predict movements in the direction of the stock market generally or of a particular industry or market segment. This requires different skills and techniques than predicting changes in the price of individual stocks.

#### "Uninvested" Capital

The Sub advisor may from time to time invest the Strategy's assets in high quality short-term instruments such as U.S. Treasury securities and shares of "money market" mutual funds because suitable investments for the Strategy are not then available. It is not possible to determine or even estimate the degree to which the Strategy's assets will be "uninvested" from time to time, but the percentage of Strategy's assets invested in short-term instruments may be high from time to time. Such periods of "uninvestment" are likely to have a negative impact on the Strategy's rate of return.

## **C. Risks Involved With Particular Securities**

All investments in securities and other financial instruments involve substantial risk of volatility (potentially resulting in rapid declines in market prices and significant losses) arising from any number of factors that are beyond the control of the Sub advisor, such as: changing market sentiment; changes in





industrial conditions, competition and technology; changes in inflation, exchange or interest rates; changing domestic or international economic or political conditions or events; changes in tax laws and governmental regulation; and changes in trade, fiscal, monetary or exchange control programs or policies of governments or their agencies (including their central banks). Changes such as these, as well as innumerable other factors, are often unpredictable and unforeseeable, rendering it difficult or impossible to predict or foresee future market movements. Unexpected volatility or illiquidity in the markets in which the Strategy holds positions could impair its ability to achieve its objective and cause it to incur losses.

## **ITEM 9 – DISCIPLINARY INFORMATION**

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### **A. Disciplinary Events**

The Burney Company has no material legal or disciplinary events to report.

## **ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

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### **A. Broker-Dealer Affiliations**

The Burney Company does not have any employee who is a registered-representative of a broker-dealer.

### **B. Other Financial Industry Affiliations**

The Burney Company does not have any disclosable financial industry activities or affiliations.

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

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### **A. Code of Ethics**

The Burney Company believes employees must maintain the company's excellent reputation for integrity, honesty, trustworthiness, and professionalism that has been part of the company since its inception in 1974. The Burney Company maintains that it is essential that, in all aspects of our



investment management services, we scrupulously maintain the highest standards of moral principles and values. The interests of the client are always paramount, and this obligation is inherent in fulfilling our fiduciary responsibilities.

We will provide a copy of our code of ethics to any client or prospective client upon request.

## **B. Securities in Which the Adviser or Related Person has Material Financial Interest**

The Burney Company and Related Persons are not affiliated with securities that present a conflict of interest due to material financial interest.

## **C. Portfolio Managers Investing in Securities that They Recommend to Clients**

The company and officers and portfolio managers of the company may buy or sell the same securities that they buy or sell for their clients. Our policy is that Portfolio Managers buy after buying for clients and sell after selling for clients. They are required to disclose their personal transactions at the end of each quarter when employee transactions are compared with those of the clients to ensure adherence to the company's personal trading policy.

The foregoing regarding personal transactions is part of the company's Code of Ethics.

## **D. Conflicts of Interest**

The Burney Company's portfolio managers may implement the Long-Short investment strategy for clients, described in [Item 8.A.and 8.B.](#) Short selling will only occur as part of a Long-Short portfolio management strategy or when directed by a client. With the Long-Short strategy there is an unlikely, but possible, conflict of interest if a client requests a portfolio manager to short a stock while at the same time another portfolio manager may be long. This is unlikely because the company's policies and procedures limit portfolio managers to making stock purchases within the buy range of our proprietary Score. In the same manner, stocks sold short must have Scores in the sell range or possibly the hold range with certain other Burney sell indicators present. Therefore, a stock sold short cannot be a candidate for buying per Burney Score buying rules unless it is specifically requested by a client.

See [Item 11C.](#)



## ITEM 12 – BROKERAGE PRACTICES

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### **A. Factors in Selecting and Recommending Broker-Dealers for Client Transactions**

Advisor participates in the institutional advisor program (the “Program”) offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC (“TD Ameritrade”), an unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers to independent investment advisors services, which include custody of securities, trade execution, clearance and settlement of transactions. Advisor receives some benefits from TD Ameritrade through its participation in the Program. (Please see the disclosure under [Item 14](#) below.)

#### Research and Other Soft Dollar Benefits

As part of its fiduciary duties to clients, the firm endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by the Adviser or its related persons in and of itself creates a potential conflict of interest and may indirectly influence the Adviser's choice of TD Ameritrade for custody and brokerage services but has no effect on our "best execution" responsibility. This company agrees to comply with the applicable requirements of the Advisers Act Rule 204-3 (the "Brochure Rule") and applicable, similar state requirements.

While the client selects the brokerage, we are sometimes asked to suggest one. Suggestions are based on the broker's commission rates, accuracy and responsiveness in effecting transactions, clarity of monthly statements, and proximity of the broker to the client. Reasonableness of commissions is determined by comparing the rates of various brokerages. All transactions for a given client are executed through the broker selected by the client. Clients who select a broker not suggested by us may be charged higher commission rates than those clients selecting one of our recommended brokers. When a broker refers a client, brokerage fees will be as arranged between the broker and the client. All transactions for the client are directed to the referring broker. This may result in the client being charged higher fees than other Burney clients.

### **B. Aggregation of Purchase and Sale of Securities**

Orders for the purchase and sale of securities are sometimes aggregated. This procedure has no effect on our recommendations regarding the selection of brokers, all clients are eligible to participate in aggregated trades, and such trades have no effect on commissions.



When orders for clients' accounts are aggregated and less than the total number of shares in the block trade are purchased or sold at the price specified, allocations are made to clients' accounts on a random basis. No client is favored over another.

## **ITEM 13 – REVIEW OF ACCOUNTS**

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### **A. Frequency and Nature of Client Account Reviews**

Emphasis is on the review of stocks held by clients. Stocks are analyzed bi-weekly by the company's analytical group. The major purpose of reviews is to compare market prices with values as determined by our analyses. These analyses are provided to the company's portfolio managers and are used by them to structure clients' portfolios in accordance with company policies and clients' instructions. Portfolio managers formally review each account quarterly when a report is prepared for each client and performance results are calculated.

### **B. Factors to Prompt Review of Client Accounts Other Than Periodic Review**

Reviews are conducted on other than a periodic basis upon a client's request.

### **C. Client Reports - Content and Frequency**

A monthly summary of each account is provided by the brokerage administering that account.

The portfolio manager provides a written quarterly report to the client citing the management fee charged, the value of the assets upon which the fee is based and the fee schedule.

## **ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION**

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### **A. Economic Benefits and Conflicts of Interest for Providing Services to Non-Clients**

As disclosed under [Item 12](#) above, Advisor participates in TD Ameritrade's institutional customer program and Advisor may recommend TD Ameritrade to Clients for custody and brokerage services. There is no direct link between Advisor's participation in the program and the investment advice it gives



to its Clients, although Advisor receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate Client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving Advisor participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts); the ability to have advisory fees deducted directly from Client accounts; access to an electronic communications network for Client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to Advisor by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by Advisor's related persons. Some of the products and services made available by TD Ameritrade through the program may benefit Advisor but may not benefit its Client accounts. These products or services may assist Advisor in managing and administering Client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help Advisor manage and further develop its business enterprise. The benefits received by Advisor or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, Advisor endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by Advisor or its related persons in and of itself creates a potential conflict of interest and may indirectly influence the Advisor's choice of TD Ameritrade for custody and brokerage services.

Advisor may receive client referrals from TD Ameritrade through its participation in TD Ameritrade AdvisorDirect. In addition to meeting the minimum eligibility criteria for participation in AdvisorDirect, Advisor may have been selected to participate in AdvisorDirect based on the amount and profitability to TD Ameritrade of the assets in, and trades placed for, client accounts maintained with TD Ameritrade. TD Ameritrade is a discount broker-dealer independent of and unaffiliated with Advisor and there is no employee or agency relationship between them. TD Ameritrade has established AdvisorDirect as a means of referring its brokerage customers and other investors seeking fee-based personal investment management services or financial planning services to independent investment advisors. TD Ameritrade does not supervise Advisor and has no responsibility for Advisor's management of client portfolios or Advisor's other advice or services. Advisor pays TD Ameritrade an on-going fee for each successful client referral. This fee is usually a percentage (not to exceed 25%) of the advisory fee that the client pays to Advisor ("Solicitation Fee"). Advisor will also pay TD Ameritrade the Solicitation Fee on any advisory fees received by Advisor from any of a referred client's family members, including a spouse, child or any other immediate family member who resides with the referred client and hired Advisor on the recommendation of such referred client. Advisor will not charge clients referred through AdvisorDirect any fees or costs higher than its standard fee schedule offered to its clients or otherwise pass Solicitation Fees paid to TD Ameritrade to its clients. For information regarding additional or other fees



paid directly or indirectly to TD Ameritrade, please refer to the TD Ameritrade AdvisorDirect Disclosure and Acknowledgement Form.

Advisor's participation in AdvisorDirect raises potential conflicts of interest. TD Ameritrade will most likely refer clients through AdvisorDirect to investment advisors that encourage their clients to custody their assets at TD Ameritrade and whose client accounts are profitable to TD Ameritrade. Consequently, in order to obtain client referrals from TD Ameritrade, Advisor may have an incentive to recommend to clients that the assets under management by Advisor be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade. In addition, Advisor has agreed not to solicit clients referred to it through AdvisorDirect to transfer their accounts from TD Ameritrade or to establish brokerage or custody accounts at other custodians, except when its fiduciary duties require doing so. Advisor's participation in AdvisorDirect does not diminish its duty to seek best execution of trades for client accounts.

Advisor, through its affiliates, compensates our business development employees for developing and converting client referrals. The terms and potential conflicts of interests follow those of Advisor's referral agreement with TD Ameritrade.

## **B. Arrangement and Compensation of Non-Supervised Persons for Client Referrals**

See response to [Item 14.A](#) as the Burney Company "compensates" TDA for referrals.

A PM may use a third-party lead-generation service where the PM pays the third-party for each lead received.

## **ITEM 15 - CUSTODY**

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### **A. Custody of Accounts and Statements from Other Qualified Custodians**

The Burney Company has custody of client funds by virtue of its ability to deduct management fees directly from client accounts. Clients will receive account statements from the broker-dealer, bank, or other qualified custodian and clients should carefully review those statements. The client should also receive a statement from their Burney Company Portfolio manager. We encourage all clients to compare the Burney Company account statement listing of your holdings with those of the Brokerage statements. If you have a question regarding your account statement, contact your portfolio manager.



The Burney Company is also considered to have custody of client funds when a client authorizes their advisor to move client funds to a third party via a Standing Letter of Authorization (SLOA). The money movement can be for third party checks, journals, ACHs and/or wires.

## ITEM 16 – INVESTMENT DISCRETION

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### A. Discretionary Authority

The Portfolio Managers of the Burney Company obtain a Limited Power of Attorney (LPOA) from each new client that gives them discretionary authority to manage securities. The client directs the total amount to be invested in securities. Clients may place limitations on which securities may be purchased for their own accounts. For example, liquor or nuclear power companies may be prohibited. Burney does not generally offer asset allocation advice, unless Financial Planning Services are expressly requested by the client but will execute other than all equity investment plans when directed to do so by the client.

## ITEM 17 – VOTING CLIENT SECURITIES

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### A. Policies and Procedures on Voting Client Securities

The Burney Company has authority to vote securities for a limited number of existing client accounts. It will not accept authority to vote securities on existing accounts currently not voted nor on new accounts unless specifically directed in writing to do so by the client. There are no conflicts of interests between our clients and the Burney Company (including those of our affiliates, directors, officers, and employees). In any event, our fiduciary duty is to always place our client's best interests before our own.

Limitations on Our Responsibilities:

- ❖ Limited Value

We may abstain from voting a client proxy if we conclude that the effect on client's economic interests or the value of the portfolio holding is indeterminable or insignificant.

- ❖ Unjustifiable Costs

We may abstain from voting a client proxy for cost reasons (e.g. costs associated with voting proxies of non-U.S. securities). In accordance with our fiduciary duties, we weigh the costs and benefits of voting proxy proposals relating to foreign securities and make an informed decision with respect to whether voting a given proxy proposal is prudent. Our decision takes into account the effect that the vote of our



clients, either by itself or together with other votes, is expected to have on the value of our client's investment and whether this expected effect would outweigh the cost of voting.

A client for whom we are responsible for voting proxies may obtain information from us on how we voted their securities as well as our voting policies, procedures, etc. by written request.

Clients for whom the Burney Company does not vote securities will receive their proxies directly from their custodian and may contact their portfolio manager in writing, by email, or by phone with questions about a particular solicitation.

## **ITEM 18 – FINANCIAL INFORMATION**

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### **A. Financial Impairment Likely to Impair the Meeting of Contractual Commitments**

The Burney Company does not have any financial impairment that precludes it from meeting its contractual commitments to clients.