

Regulation Best Interest Disclosure – Private Placement Offerings

This guide summarizes important information concerning the scope and terms of the brokerage services we offer and details the material conflicts of interest that arise through our delivery of brokerage services to you. We encourage you to review this information carefully, along with any applicable offering documents and disclosure documentation you may receive from us.

As you review this information, we would like to remind you that Brown Associates, Inc. (“Brown”) is registered with FINRA and the Securities and Exchange Commission as a broker-dealer. Garth & Brown Investment Management, LLC (“GBIM”) is separately registered as an investment adviser. Brown and GBIM are affiliated through common ownership. Our brokerage services involving private placements are the primary focus of this guide. Separate disclosures are available regarding discount brokerage offered through Brown; and investment advisory services offered through GBIM. In addition, our Form CRS contains important information about the types of brokerage services we offer, along with general information related to compensation, conflicts of interest, disciplinary action and other reportable legal information. Form CRS is available on our website at <http://www.brownassoc.com/>.

Brokerage services

We offer private placements to “Accredited Investors” only. A private placement is a non-public offering of securities exempt from full SEC registration requirements. We typically offer private placements associated with real estate investments, including apartment buildings and other rental properties. Accredited Investors is defined by SEC Rule 501 and includes natural persons with a net worth of more than \$1 million (not including the person’s primary residence) or with an annual income at least \$200,000 each year for the last two years (or \$300,000 combined income if married) and have the expectation to make the same amount during the current year.

We do not offer all types of securities, but limit investment recommendations to private placements. Discount brokerage services are also available through Brown; and investment advisory services are available through our affiliated firm, GBIM. We do not offer all security products; and we do not make recommendations on exchange traded products. Other security products or brokerage services may be more suitable for you.

Most private placements have a minimum investment amount which is typically \$100,000, but the minimum investment amount can vary by issuer and placement. Investment minimums may be waived and will be listed in the private placement memorandum (PPM) or similar offering documents.

When a placement is offered, we do so on a best efforts basis, meaning we do not agree to raise all of the money requested by the issuer. Other types of raises include a “firm commitment,” in which we agree to purchase all of the offered shares, whether or not we could place individual investors. In a best efforts offering, the issuer is not guaranteed to raise the funds anticipated, and this could impact their business plan or pro forma financial projections. To offset this risk, the issuer may offer units on an “all-or-none” basis. In an all-or-none raise, when you decide to invest, your funds will be placed into an escrow account. While in escrow, you will not be entitled to any interest. The funds will be transferred to the issuer, once all of the units have been sold; however, if all of the units are not sold by a specified termination date, your funds will be returned. If the specified termination date is extended, you will be notified and will have the opportunity to cancel your investment and ask for your funds to be returned.

Once you subscribe in a private placement, we do not monitor your investment on a regular basis. Moreover, when we act in a brokerage capacity, we do not agree to enter into a fiduciary relationship with you. It is important for you to understand that when our Registered Representatives make a brokerage recommendation to you, we are obligated to ensure the recommendation is in your best interest, considering reasonably available alternatives, and based on your stated investment objective, risk tolerance, liquidity needs, time horizon, financial needs, tax status, and other financial information you provide us. You may accept or reject any recommendation. It is also your responsibility to monitor your investments, and we encourage you

to do so regularly. We do not commit to provide on-going monitoring of any recommended securities. If you prefer on-going monitoring of your investments, you should speak with a financial professional about whether an advisory services relationship is more appropriate for you. Please also consider that from time to time we may provide you with additional information and resources to assist you with managing your investment. This may include but is not limited to educational resources, financial reports; summaries and/or updates about the issuer. When we offer these services and information, we do so as a courtesy to you. These activities are not designed to monitor specific investment holdings, they do not contain specific investment recommendations about investment holdings, and you should not consider them a recommendation to trade or hold any particular securities. Upon your request, we will review such information and reports with you and may provide you with investment recommendations, but we are not under a specific obligation to do so.

Investment Risks

It is important for you to understand that all investment recommendations and activities involve risk, including the risk that you may lose your entire principal. Higher-risk investments, including private placements, may have the potential for higher returns but also for greater losses. The higher your “risk tolerance,” meaning the amount of risk or loss you are willing and able to accept in order to achieve your investment goals, the more you may decide to invest in higher-risk investments offering the potential for greater returns. Our recommendations are based in part on your risk tolerance and investment objective. We encourage you to carefully consider your investment objective and risk tolerance before investing.

Private Placements are extremely speculative, illiquid, and includes unique risks. While we will take reasonable care in developing and making recommendations to you, private placements involve risk, and you may lose money. There is no guarantee that any private placement will meet the stated investment goals, or that our recommended investment strategy will perform as anticipated. Please consult any available PPM or other offering documents for any security we recommend for a discussion of risks associated with the product. We can provide those documents to you before you invest.

The PPM contains important information about a particular investment’s business, operations, financial condition and risks. The risks below include a summary of risk factors and is not meant to be all inclusive. These include the following:

- **Investments are Generally Risky and Offer No Guarantee of Success.** All investments generally bear the risk of partial or complete loss of capital. There is no guarantee that an investment will be profitable.
- **Illiquidity.** Private placements have limited transferability and investors may not be able to liquidate their interest in an issuer. Because of a variety of restrictions upon the transferability of the issuance, including restrictions imposed by federal securities laws, an Investor may be required to retain their investment indefinitely. As a result of the foregoing factors, prospective investors must understand that there currently is not, and may never be, a market of any kind for the purchase and sale of the interests.
- **Limited Operating History.** An issuer that engages in a private placement may be in the early stages of development with a history of little or no revenues and may operate at a loss following the offering. Such issuers are typically subject to the difficulties, uncertainties and risks associated with the establishment of a new business such as manufacturing capability, limited product lines, the existence of more experienced or better capitalized competition, and reliance on a few large suppliers or customers, depending on the product offerings.
- **Forward-Looking Statements.** Issuer material may contain forward-looking statements. When used in the material, including but not limited to words such as “believe,” “anticipate,” “intend,” “plan,” “seek,” “will be,” “expects,” “estimates,” “projects” and similar expressions identify such forward-looking statements. Such statements regarding future events and/or the future financial performance of an issuer are subject to certain risks and uncertainties which could cause actual events or the actual future results of the issuer to differ materially from such forward-looking statements. Certain of these risks include changes in the markets in which the issuer operates, technological advances, changes in applicable regulations and new entries into the market. In light of the significant risks and uncertainties inherent in the forward-looking statements included herein, the inclusion of such statements should not be regard as a representation by the issuer or any other person that the objective and plans of the issuer will be achieved.
- **Additional Financing.** An issuer that operates at a loss or with limited cash flow following a private placement may be required to secure additional financing in order to fund its operation. If the issuer decides to issue additional equity securities, it is possible that their issuance will result in dilution of the interests of existing shareholders. To the extent

that the issuer incurs indebtedness, the issuer will be subject to certain risks including interest rate fluctuations and inability to generate sufficient cash flow to make scheduled payments.

- **Dependence on Key Personnel.** An issuer is often highly dependent on the services of key technical and management personnel and loss of their services could have a material adverse effect on the issuer's business or operations.
- **Changes in Capital Markets and the Economy.** Each issuer is materially affected by conditions in the global capital markets and the economy generally. Concerns over inflation, energy costs, geopolitical issues, the availability and cost of credit may contribute to increased volatility and diminished expectations for the economy the markets or this investment going forward. These factors, among others not listed, may contribute to increased likelihood of issuer failure and loss of investment. In addition, small and new businesses may be particularly susceptible to such factors.

Because the risks of each issuer and placement are unique, it's important to review the PPM or other offering material, understand the unique risks of the particular investment under consideration, and ask your registered representative additional questions about the business practices and risks associated with any recommended private placement.

Brokerage fees and our compensation

It is important to consider that while private placements may provide a cost-effective way to invest in private companies, they are not for everyone given the risks, fees and costs involved. You will pay transaction-based fees when you subscribe to a private placement. These transaction-based fees are generally referred to as a "commission," a "sales concession."

For each placement we receive sales compensation based on the amount of money invested. The amount of compensation is generally 6% of your initial investment, but the exact amount varies by issuer. Again, exact terms of fees and expenses vary between each private placement. The specific fees and expenses associated with a private placement is listed in the PPM or similar offering document.

Conflicts of interest

Conflicts of interest exist when we provide brokerage services to you. A conflict of interest is a situation in which we engage in a transaction or activity where our interest is materially adverse to your interest. The mere presence of a conflict of interest does not imply that harm to your interests will occur, but it is important that we acknowledge the presence of conflicts. Moreover, our regulatory obligations require that we establish, maintain, and enforce written policies and procedures reasonably designed to address conflicts of interest associated with our recommendations to you.

Our conflicts of interest are typically the result of compensation structures and other financial arrangements between us, our Registered Representatives, our clients and third parties. Securities rules allow for us, our Registered Representatives, and our affiliates to earn compensation when we provide brokerage services to you. However, the compensation that we and our Registered Representatives receive from you varies based upon the product or service you purchase, which creates a financial incentive to recommend investment products and services that generate greater compensation.

We are committed to taking appropriate steps to identify, mitigate and avoid conflicts of interest to ensure we act in your best interest when providing brokerage recommendations to you, such as when we recommend you open an account, or transfer an account to us. Below you will find additional information related to our conflicts of interest. This information is not intended to be an all-inclusive list of our conflicts, but generally describes those conflicts that are material to your brokerage relationship. In addition to this disclosure, conflicts of interest are disclosed to you in your PPM or offering agreement(s) and disclosure documents, our product guides and other information we make available to you.

Compensation We Receive from Clients

Transaction-based conflicts

You pay certain fees (commissions and sales concessions) in connection with investing in a private placement. Where these fees apply, the more transactions you enter into, the more compensation that we and your financial professional receive. This compensation creates an incentive for us to encourage you to invest in private placements.

Registered Representatives are compensated based on the percentage of revenue generated from sales of products and services to clients and/or total assets under advisement. This compensation may vary by the product or service associated with a brokerage recommendation. Private placements carry higher fees than other types of securities. Therefore, Registered Representatives are incentivized to recommend these products over discount brokerage products. Similarly, Registered Representatives have an incentive to provide brokerage recommendations to gather more assets under management and to increase your concentration in alternative investments and to transfer assets from another brokerage firm, including assets in a qualified retirement plan. We maintain policies and procedures designed to ensure that recommendations are in your best interest.

Brokerage investments, unlike advisory accounts, do not feature an on-going fee based on assets under management. Registered Representatives are incentivized to recommend you transition to an advisory account to generate on-going revenue when your brokerage activity is minimal. Further, Registered Representatives are incentivized to recommend you transition your brokerage investments to an advisory account after you have already placed purchases resulting in commissions and/or other transaction-based brokerage fees. We have controls established to identify and mitigate this risk. Registered Representatives also have an incentive to provide higher levels of service to those clients who generate the most fees.

Compensation Related to Our Affiliates

Compensation Related to Advisory Services

We are affiliated through common control with GBIM, a registered investment adviser. GBIM is owned by Huxley Brown and the Family Trust U/W of Allen C. Brown Dated 7-23-2016; Huxley Brown and Emily Brown are Trustees. Some individuals associated with Brown as Registered Representative are also investment adviser representatives of GBIM. Brokerage recommendations can include a recommendation to invest in an advisory account managed by us or our affiliates. We and our affiliates will receive additional compensation or economic benefits from investments by you, including, but not limited to, advisory fees and similar revenue sharing arrangements. The compensation related to these may be greater than similar products provided by third parties. Thus, we have an incentive to manage your investments through GBIM rather than recommend a third-party investment manager. Brown maintains consolidated financial records with its affiliated investment adviser, GBIM.

The Family Trust U/W of Allen C. Brown Dated 7-23-2016 is the sole member of ACB Investment Management, LLC (“ACB”) and Brown Offshore Advisors, LLC (“Brown Offshore”). Huxley Brown is the Manager of ACB and Brown Offshore. ACB is the general partner of the hedge fund named Brown Investment Partnership, LP. Additionally, Brown Offshore Investments, Ltd. is an offshore fund that invests all of its assets in and is a limited partner of Brown Investment Partnership, LP. Brown Offshore is the investment advisor of the hedge fund, Brown Offshore Investments, Ltd. We may solicit you or other clients to invest in Brown Investment Partnership, LP or Brown Offshore Investments, Ltd. A recommendation that you purchase an interest in one of these funds poses a conflict of interest to the extent that we have a financial incentive to increase the assets of the fund and thereby increase the management fees paid by the fund to ACB and/or Brown Offshore. Notwithstanding this and other conflicts of interest that may exist, we will recommend an investment in these funds only when such investment is suitable and in the best interest of the client. Each fund’s offering memorandum discloses the conflicts of interest and the compensation arrangements. These funds are exempt from registration under the federal securities laws.

Compensation Received by Registered Representatives

Personal Trading Activities

Registered Representatives may invest in the same private placements offered to clients. This creates a conflict of interest in that they may invest without paying a commission. Sometimes, additional fees are earned based on the total amount raised, or a minimum amount raised. Where there is a minimum or in an all-or-none offering, a Registered Representative could have an incentive to invest their personal funds to ensure the offering closes. Our written supervisory procedures are designed to assure that the personal securities transactions, activities, and interests of the employees of Brown will not interfere with (i) making decisions in the best interests of our customers; or implementing such decisions while, at the same time, allowing Brown employees to invest for themselves. For example, if a Registered Representative’s or related persons funds are used to reach a minimum raise, this must be disclosed to the customers prior to the close and release of escrow funds. The Firm has procedures

to monitor the personal trading activities and securities holdings of each of the Firm's Representatives and includes procedures for limitations on personal securities transactions of associated persons. These policies are designed to discourage and prohibit personal trading that would disadvantage clients.

Additional Resources

Additional Resources, including Form CRS and legal disclosures can be found on our website at brownassoc.com. In additions, you can visit Investor.gov/CRS for a free and simple search tool to research us and our financial professionals. You can also call your Registered Representative at (423) 267-3776 to request up-to-date disclosure information or to ask any questions you have about this brochure, or brokerage services offered.