

# **The Randolph Company**

## **Brochure**

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This brochure provides information about the qualifications and business practices of The Randolph Company. If you have any questions about the contents of this brochure, please contact us at (513) 891-7144 or at [carter@crandolph.com](mailto:carter@crandolph.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about The Randolph Company is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

The Randolph Company is a registered investment advisor, however being registered does not imply a certain level of skill or training.

*There have been no material changes made regarding the contents of this brochure since it was last updated in June of 2010.*

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### **Advisory Business**

The Randolph Company is a small investment advisory firm that specializes in providing portfolio management to high net worth individuals, non-profit organizations and trusts. Carter Randolph has been an investment consultant for 33 years, possesses a Ph.D. in Finance and has been the principle owner of the Randolph Company since 1996.

Our firm is unique in that our primary objective is to provide portfolio management focused on security analysis, diversification and performance. Our strategies take into consideration each client's specific needs; such as, requiring a stream of income, desired level of risk, and tax implications. Every decision we make from structuring a portfolio to making a company policy is based on the highest ethical and professional standards to ensure our clients best interests are always the priority. Our clients grant us full discretion, allowing us to use our skill, expertise and experience to make the best investment choices to accomplish their financial goals. We currently manage over \$498,000,000 for our clients (as of March 2012.)

### **Fees and Compensation**

Fees for portfolio management are based on the amount of assets managed by the Randolph Company on the last day of each calendar quarter. There are no prepaid fees. These fees are calculated using the annual schedule below and are billed for the previous quarter (with a minimum annual fee of \$750.00).

- .90% of the first \$1,000,000 (.23% quarterly)
- .80% of the next \$1,000,000 (.20% quarterly)
- .65% of ALL funds thereafter (.16% quarterly)

For example: The fee charged for the fourth quarter would be calculated on the balance of the portfolio on 12/31.

**12/31 Balance = \$2,895,000**

\$1,000,000 @ .23% = \$2,300

\$1,000,000 @ .20% = \$2,000

\$ 895,000 @ .16% = \$1,432

**Total Quarterly Fee = \$5,732**

Any related accounts constitute a "household". All household accounts aggregating more than \$3,000,000 are subject to negotiated fee schedules.

Clients will be invoiced for portfolio management performed in the previous quarter. Invoices will be sent to clients in April, July, October and January. Once the client has received their invoice, the fee will be automatically deducted from their investment account.

There will be additional brokerage expenses relating to stock trades. We use a broker-dealer that charges a flat \$9.99 per trade. In addition, there are small incidental fees (less than .002%) charged by the various exchange markets to cover the costs of supervising and regulating the markets. Randolph Company does not receive any other compensation for the purchase or sale of securities or other investment products.

## **Performance Based Fees and Side by Side Management**

Randolph Company does not offer to manage investments with a fee based on capital gain or capital appreciation. We offer portfolio management with a fee based on the amount of assets a client holds on the last day of each quarter.

## **Types of Clients**

The Randolph Company offers portfolio management to high net worth individuals, trusts and charitable endowments. The required minimum balance to open an account is \$1,000,000.

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

There are two types of security analysis; fundamental and technical. We use both to obtain a better picture of what the future might bring for an investment. Fundamental analysis means that we look at the income statement, balance sheet and business model of a potential investment. Technical analysis comes in many forms; we use charts and proprietary indicators. We also review portfolios and monitor their total makeup from a diversification point of view. Despite our efforts, risk still exists and clients can lose money. We try to mitigate unsystematic risk by having a diversified portfolio. We try to mitigate systematic risk by keeping total leverage in a portfolio low and investing in high quality companies. No matter how we invest a client's money, the simple fact is that investing is risky and loss of principal is possible.

We generally employ one strategy for investing: buy securities in high quality companies with low levels of debt and some form of current return to security owners (dividends, interest or net share buy backs) at prices that represent good value. We diversify holdings across many industries and allocate to different industries and types of securities based on our view of the future, but we always hold a diversified portfolio. Generally, brokerage commissions are not an issue because we pay less than \$10 per trade regardless of the number of shares traded. At the end of each year we review the taxable portfolios for opportunities to minimize tax impact of the year's events. Sometimes this is possible by selling securities to offset a known net gain or loss. Investment decisions are based on investment criteria and not tax criteria.

We invest in equities, exchange-traded funds and bonds, all of which are very liquid and traded on recognized exchanges. All bear the same set of risks; event risk specific to the company issuing the security and systemic risk – events that impact the entire economy. We attempt to mitigate risk through investment selection and diversification.

## **Disciplinary Information**

The Randolph Company, Carter F. Randolph and staff have not been involved in any disciplinary actions.

## **Other Financial Industry Activities or Affiliations**

The Randolph Company has no material relationships or arrangements with any individuals or entities that would create a conflict of interest. In addition to having no such relations, the Randolph Company does not recommend or select other investment advisers for its clients.

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

Carter Randolph and his employees recognize their fiduciary duty to their clients as well as their duty to comply with federal and state securities laws as well as all other applicable laws. The Randolph Company, through its implemented Code of Ethics, adheres to certain principles, obligations and prohibitions to make certain that the interest of the client is our number one priority. Our *Code of Ethics* is available to any current or prospective client upon their request.

The Randolph Company also manages portfolios for family members and employees. Any conflict that may result from this practice is negated by our policy to use aggregate trades. We buy or sell securities in a block and then allocate to each portfolio once the trade is complete. The aggregation is designed to promote fairness among client accounts with regard to execution and price. Each participant will receive the average execution price. Partial fills will be allocated to fill advisory clients first on a pro-rata basis.

If an employee has his/her own account which he/she manages outside of the Randolph Company, they must adhere to the prohibition in the company's Code of Ethics that states *no employee may purchase or sell, directly or indirectly, a security for his/her own account within four days before or four days after the time that the same security (or related security) is being purchased or sold for any client*. In order to avoid any conflicts of interest that may arise between an employee and a client as a result of personal trading, employees must submit a quarterly report of all transactions in their "outside" personal accounts to the Chief Compliance Officer.

## **Brokerage Practices**

### ***Selection of a Broker:***

The Randolph Company chooses the broker-dealer and custodian for its clients. We evaluate the broker-dealer based on its financial condition, commission rates, best execution capability, and responsiveness. Factors to consider in best execution are the ability to quickly fill buy/sell orders at the best available price, the ability to access markets that provide the greatest potential to fill large and small orders and to charge commissions that are competitive with other broker dealers. The selected broker-dealer will also consistently execute trades in an accurate and professional manner.

### ***Incentives:***

The Randolph Company does not receive incentives from the broker-dealer related to client transactions (the commission on securities trades). The decision to conduct business with a selected broker-dealer is based on the broker-dealer's ability to provide excellent administrative service and the most favorable execution. The Randolph Company may purchase portfolio management and securities analysis services from its broker-dealer at a reduced price. These reduced prices are not related to any client transactions.

***Securities Transactions:***

The Randolph Company's common practice is to aggregate trades and then allocate to each client account after the trade is executed. The allocation is calculated in advance to placing the order. If the order is only a partial fill, the allocation is made to client accounts first on a pro-rata basis. Aggregating trades assures clients will receive the average share price and be charged only one transaction fee (commission) for each security allocation.

**Review of Accounts**

The Randolph Company periodically reviews client portfolios (no less frequently than monthly). Carter Randolph, President, is the investment advisor responsible for the reviews. Portfolios may be reviewed more frequently if there is unusual activity in individual securities, the economy or the stock market.

Monthly reports are issued directly to clients by the custodian of their account; such reports show all transactions and market values. The Randolph Company may produce additional reports at the client's request. Client meetings are usually held on an annual basis or at the client's request.

**Client Referrals and Other Compensation**

The Randolph Company does not receive cash or any economic benefit from a non-client in connection with giving advice to clients.

The Randolph Company does not directly or indirectly compensate any person for client referrals.

**Custody**

The Randolph Company's qualified custodian, TD Ameritrade, maintains client assets in separate accounts for each client. Monthly statements are generated by TD Ameritrade and are either mailed directly to clients or they receive an email notice that statements are available to be viewed on the TD Ameritrade [www.advisorclient.com](http://www.advisorclient.com) website. It is the client's choice as to how they receive statements.

Clients should carefully review their monthly statements and report any errors or omissions to the Randolph Company at 513-891-7144 and also TD Ameritrade 1-866-523-6251 #2.

**Investment Discretion**

The Randolph Company accepts discretionary authority to manage security portfolios on behalf of clients. Before assuming this authority the client is asked to execute the Randolph Company Investment Advisory Agreement wherein the client grants the Randolph Company full discretionary authority to manage their account. Under this authority, the Randolph Company will supervise and direct, in its sole discretion, the investments in each client account without further consultation with the client. This authority is subject to limitations and restrictions that the client may request in writing to the Randolph Company.

### **Voting Client Securities**

It is the Randolph Company's policy not to vote client securities. Clients will receive their proxies directly from their custodian via mail or email. If a client has questions regarding a proxy vote, they may contact the Randolph Company.

### **Financial Information**

Randolph Company has discretionary authority and is also deemed to have constructive custody of client funds or securities because Carter F. Randolph, the investment advisor, is an officer for one or more clients, has unlimited power of attorney for one or more clients and is trustee for one or more clients trusts. Randolph Company is, therefore, required to disclose any financial condition that is reasonably likely to impair our ability to meet contractual commitments to our clients. The Randolph Company is in excellent financial condition; it is not leveraged and has a substantial capital reserve.

# Carter F. Randolph

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## **The Randolph Company**

4200 Malsbary Road  
Cincinnati, Ohio 45242  
1-513-891-7144  
March 1, 2011

*This brochure supplement provides information about Carter F. Randolph that supplements the Randolph Company brochure. You should have received a copy of that brochure. Please contact Patty Brockman 513-891-7144 or [patty@crandolph.com](mailto:patty@crandolph.com) if you did not receive the Randolph Company's brochure or if you have any questions about the contents of this supplement.*

*Additional information about Carter F. Randolph is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

### **Educational Background and Business Experience**

Carter F. Randolph, Ph.D.  
D.O.B 6/10/1956  
BBA University of Cincinnati, 1978  
MBA University of Cincinnati, 1979  
Ph.D. University of Cincinnati, 1986

1986 to 1996, Investment Advisor, DBA Carter F. Randolph, Ph.D.,  
1989 to present, Executive Vice President, the Greenacres Foundation, Inc.,  
1996 to present, Executive Director, the Randolph Company, Inc.,  
1998 to present, Chairman, Planet Products Corporation - *a wholly owned subsidiary of the Randolph Company*,  
1992 to present, Executive Vice President, L&L Nippert Charitable Foundation, Inc.,  
2006 to present, Managing Member, CFRPHD, LLC

### **Disciplinary Information**

Carter F. Randolph nor the Randolph Company, Inc. have been involved in any disciplinary events.

### **Other Business Activities**

In addition to being the investment advisor of the Randolph Company, Carter provides administrative services to trusts and charitable foundations and he owns a manufacturing company. He is Executive Vice President of the Greenacres Foundation and the L&L Nippert Charitable Foundation. Carter also serves as a trustee on several trusts.

### **Additional Compensation**

Carter F. Randolph receives compensation for providing advisory service to his clients. There is no other compensation or economic benefit from other sources.

### **Supervision**

Carter F. Randolph is the sole investment advisor within the Randolph Company. He is also the Chief Compliance Officer. The Randolph Company engages two outside accountants to perform an annual balance sheet audit and a "surprise examination" of our advisory practices conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States).