

Item One: Cover Page

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This brochure provides information about the qualifications and business practices of the Fredric E. Russell Investment Management Co. If you have any questions about the contents of this brochure, please contact us at 918.743.5959 or ktm@ferimc.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 Fredric E. Russell Investment Management Co. also is available on the SEC's website at www.adviserinfo.sec.gov.

Registration with the Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

Item Two: Material Changes

Since the last update of this brochure on March 31, 2011, the Fredric E. Russell Investment Management Co. (“the firm”) no longer qualifies for registration with the Securities and Exchange Commission.

The firm registers with the securities authorities of the states of Oklahoma and Colorado.

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Item Four: Advisory Business

The Fredric E. Russell Investment Management Co. is a money management firm serving Aspen, Colorado and Tulsa, Oklahoma. Our firm was started in 1987 and our founder and principal owner, Fredric E. Russell, was born in New York City. Fred graduated from Deerfield Academy in Massachusetts in 1961 and then went on to Swarthmore College in Pennsylvania, graduating in 1965.

After earning an M.B.A. at Washington University in St. Louis, Fred taught accounting and finance at several universities. His experience in the academic world provided Fred with knowledge that he draws upon on a daily basis in the management of our firm as he analyzes the financial statements of the companies that we own and others that we are considering for investment.

Our firm has a deep respect for unconventional thinking, and a correspondingly deep fear of thinking the way the crowd does. We do our best not to succumb to conventional wisdom in our selection of companies when constructing a portfolio. We also try to respect the intelligence of our clients by writing well-constructed letters to them, trying hard to be witty and informative and to avoid the use of soporific jargon.

We are, if you will permit us to surrender to Wall Street slang, an equity or common stock shop. Our experience, our passion and our edge, we believe, is managing positions in common stocks, digging deep to discover what is important but often misunderstood about the publicly traded companies that comprise the portfolios we manage for our clients.

For example, many investors are unaware that Stericycle (NASDAQ: SRCL) one of our holdings, is ten times the size of its nearest competitor. This fact you will not find in any documents that Stericycle has filed; we discovered this in a long conversation with the company's chief executive officer shortly before we took our position in Stericycle at an adjusted price of twenty three dollars and twenty two cents in August, of 2004. (As of the close of trading on March 16, 2012, Stericycle stood at eighty-six dollars and eighty-eight cents.)

What got us interested in Stericycle was nothing complex, but instead an observation made over many days. Watching fellow health club members at the St. John Health Club in Tulsa shave each morning and dispose of their blades and razors in a plastic tub led to this question: which company removed the plastic tubs and subsequently sterilized them, turning them into fine particles of waste? The answer, Fred found after making a few inquiries at the St. John Health Center, was Stericycle.

In this example, innovative thinking and a fresh perspective on everyday life led to a question, which then led to a profitable investment opportunity. This line of thinking is the foundation upon which we base our business and our investment philosophy.

The business of investment management is centered on seeing who can get to valuable information first, legally, and then use this information in a street smart method for clients.

The purpose of the game is not, contrary to what professors trapped in protected and unreal walls of ivy believe, to make things complicated, but to make things simple, and that includes investing clients' money and then telling your clients through fun to read and informative letters how you have invested their money so that they can understand what you have done.

We manage all client accounts according to Fred's investment strategy. Clients who find us a good fit are long-term investors who do not need to frequently access the funds in their accounts. Required Minimum Distributions from Investment Retirement Accounts can be disbursed monthly, quarterly, or annually, according to the client's wishes.

The Fredric E. Russell Investment Management Co. **does not** participate in wrap fee programs.

We manage \$55,664,414 of client assets on a discretionary basis as of March 15, 2012. This is one hundred per cent of our assets under management.

Item Five: Fees and Compensation

Our fee schedule is as follows:

- **Equities:** 1.00 percent of the market value of the account per annum, billed 0.25 percent every three months.
- **Fixed Income:** 0.50 percent of the market value of the account per annum, billed 0.125 percent every three months.

When the client first opens an account under our management with Charles Schwab & Co., Inc., our custodian, he or she chooses either to authorize us to debit the investment account each quarter for our management fee or to mail us a check for the management fee every quarter. Most of our clients choose the convenience of automatic debit over the hassle of waiting for a bill, writing a check, and mailing it to us. We send each client a billing notice via electronic mail advising him of the amount of the fee and that it has been withdrawn. If the client chooses, we can send a paper copy of this notice through regular mail.

Clients also incur a per share commission charge from Charles Schwab & Co., Inc., the custodian and broker for their accounts. We have negotiated rates with Schwab that we believe are commensurate with the level of skill and service we and our clients receive from Schwab. We periodically renegotiate our commission rates to make sure that our clients are getting the best price for this service.

Our clients incur no other fees or expenses. Clients do not pay any fees in advance. We do prorate client accounts if the account is not under our management for the entire quarter, for instance when the client first opens the account, as this almost never occurs precisely on the first or last day of a quarter. In such instances, we calculate a prorated fee that is simply the fee for the entire quarter divided by the number of days in the quarter and multiplied by the number of days the account was under our management.

We do not accept compensation for the sale of securities or other investment products.

Item Six: Performance-Based Fees and Side-By-Side Management

Our fee is a percentage of the market value of the client account as of the close of business on the last day of the quarter. Thus, our fee increases if the market value of your account increases and decreases if the market value of your account decreases. This is a performance-based fee.

Performance-based compensation may create an incentive for an adviser to recommend an investment that may carry a higher degree of risk to the client.

We do not charge hourly or flat fees.

Item Seven: Types of Clients

Our clients consist primarily of high-net worth individuals. We manage individual accounts, Individual Retirement Accounts (IRAs), trust accounts, and self-directed 401(k) accounts for these individuals. We also manage profit sharing plans and charity nonprofit accounts.

Our minimum account size is \$250,000.

Item Eight: Methods of Analysis, Investment Strategies and Risk of Loss

We do our own research by digging deep and using our own quantitative and qualitative analysis processes.

When we find a company of interest, we read the company's Securities and Exchange Commission 10-K filings and press releases and study the company's balance sheets and financial ratios.

If the company passes this first inspection, the firm discusses the company in depth and prepares tough questions for a call to the company's top executives.

Our phone calls with top management usually last about an hour as one probing question prompts another.

Fredric E. Russell will occasionally visit the company's headquarters and meet with company executives in person to view the company in action.

We are long-term investors and invest only in companies that we believe in enough to hold for years. That said, we frequently review the companies in our portfolio and will sell those we no longer believe will provide a good return for our clients.

We invest only in United States common stocks, publicly traded companies whose global headquarters are in the United States. Of course, many of the companies in our portfolio have significant global operations and are exposed to global risks, including but not limited to currency exchange rates and the political stability of countries in which these companies have operations.

We hold, at any one time, no more than twenty companies in our portfolio.

The client(s) understands and acknowledges that investors in any security class face many risks. We discuss some, but certainly not all, of these risks in the paragraphs below.

Common stocks have historically experienced greater risk when measured by price volatility, the standard deviation of annual returns, or other measures, than high grade fixed income securities. At the same time, common stocks have shown greater price appreciation than fixed income instruments. Common shares of U.S. based companies from 1925 through 2004, for example, whether small capitalization or large capitalization issues, have experienced greater annual price volatility, as well as greater annual price appreciation, than U.S. government debt issues.

Nevertheless there is no guarantee that common stocks purchased for the Portfolio (individually or as a group) will enjoy total annual returns exceeding, or even matching, for that matter, the total annual returns produced by high grade fixed income securities (such as U.S. government debt issues). Nor is there, conversely, any guarantee that U.S. government fixed income securities, or any fixed income security purchased for the portfolio during any given period will experience less volatility than suffered by common stocks, including those that may be purchased for the portfolio.

Furthermore, there is no guarantee that the historical pattern of any asset class with respect to risk, whether measured by price volatility or any other measure of risk, or return, will be maintained or repeated.

Also, stock prices may decline sharply and may not recover for long periods of time. In 1929, for example, large capitalization stocks, (defined by Ibbotson Associates as equities which comprise the Standard & Poor

500 or are similar in size to market capitalization of companies which comprise the Standard & Poor 500) fell 8.5%. In 1930, these equities declined a further 24.9%. In 1931, they again fell, this time by a staggering 43.34%! In fact, if an investor had taken positions in large capitalization stocks in 1929, he or she would not have recovered his or her capital, or broken even, until 1937. For an eight year period (1929-1937) which produced a return of zero, he or she would have suffered tremendous bouts of volatility and distress.

In March 2000, the Standard & Poor 500 reached an all time high of 1552.87. By October of 2002, it had fallen to 768.63, a decline of over 50%! If an investor had taken positions in the Standard & Poor 500 stocks in March 2000, he or she would not have recovered his or her capital or broken even until July 2007.

Both periods described above were very uncomfortable for the equity investor, but such experiences may reoccur.

The firm's historical investment return and volatility experience for any asset class is not guaranteed. Returns may be lower and volatility may be greater than the firm's historical experience.

The firm cannot eliminate unique (specific asset) or systemic (market) risk for common stocks. The firm will attempt to diversify these risks but there is no guarantee that the firm will be able to do so. Likewise, the firm cannot eliminate interest rate and credit risk for any fixed income securities.

Also, the portfolio is always subject to realized and unrealized losses in any asset class. The client(s) understands this and agrees to hold the firm harmless for such losses that may occur.

Clients must be aware of the risks enumerated in the previous paragraphs and be in a financial position to incur these risks and be willing to do so. The client has the responsibility to keep the firm informed of any changes in his or her risk profile, such as changes in net worth, current income needs, health, or any other circumstances, such as retirement or layoff, which would affect investment suitability and the asset allocation of the portfolio. The firm will have no liability in the management of the portfolio under this agreement in the event of any change in the above circumstances unless the client brings them to our attention. Furthermore, we have no duty to make these inquiries with respect to these circumstances.

The client also understands that the formulation of the firm's equity strategy is a subjective exercise. There is no universal or objective agreement on how to weigh the competitive advantages discussed in a company's marketing literature, including its brochure. For example, some analysts may consider market share more important than return on equity in deciding whether a company has important competitive advantages. Likewise, the very definition of competitive advantage is subjective: for example, the firm weighs some characteristics more heavily than others in assessing whether a company has a de facto franchise. This weighting may not enjoy universal agreement. Also, competitive advantages are not guaranteed to be perpetual, or to last for any given or specified time.

Furthermore, the firm may purchase some issues without pronounced competitive advantages, companies which are, nevertheless, in the opinion of the firm, sound investments.

The equity universe is a large universe, containing inevitably companies with greater risk than others. Some issues for example, purchased for the portfolio, may not pay a dividend and may have limited liquidity due to the number of shares outstanding and average daily trading volume. Likewise, some companies may have market share or balance sheets, or cash flows, superior to others. Likewise, some securities may have significant long-term or short-term debt, limited operating history, concentration in one product, or inexperienced management, or other characteristics which may make such investments more risky than other common stocks.

The client(s) will not hold the firm liable for any losses in the portfolio to the extent that any investments were made in good faith and, when applicable, were not contrary to the fiduciary standards of ERISA (Employee Retirement Income Security Act of 1974.) The client should ensure he or she has a financial profile suitable for investments in all issues described in Section 1.

Item Nine: Disciplinary Information

The Fredric E. Russell Investment Management Co. is involved in no legal or disciplinary events.

Item Ten: Other Financial Industry Activities and Affiliations

The Fredric E. Russell Investment Management Co. has no other financial industry activities or affiliations.

Item Eleven: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

The Fredric E. Russell Investment Management Co. maintains a Code of Ethics that covers ethical behavior as regards insider information, personal securities trading, privacy, internal controls, and written compliance procedures, among other things.

Each employee of the Fredric E. Russell Investment Management Co. receives a copy of the Code of Ethics upon employment. The Code of Ethics is reviewed and revised, as necessary, each year, and copies of the revised Code provided to all employees.

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

Employees at the Fredric E. Russell Investment Management Co. do not, and the firm does not, recommend to clients, or buy or sell for client accounts, securities in which we have a material financial interest.

The code of ethics forbids any employee of the company who is involved in trading decisions from initiating short positions¹ in fixed income or common stock of securities when any client has a long position² in either type of security, and vice versa.

If the firm is buying securities and the employee wishes to have a position in that security, the price allocated to the employee must be higher than or equal to the average price paid by clients on the day of the purchase of a given security. Likewise, if the firm is selling securities and the employee wishes to sell part or all of his position, then the price allocated to the employee must be no greater than the average price received by the clients on the date of sale.

Employees involved in investment decisions are not permitted to participate in private placements or initial public offerings.

Item Twelve: Brokerage Practices

The Fredric E. Russell Investment Management Co. uses Charles Schwab & Co., Inc. as the broker-dealer for all trades for client accounts, either using our dedicated team of traders at the Charles Schwab & Co., Inc.

¹ You initiate a “short position” when you borrow securities to sell with the expectation the security will fall in value.

² You have a “long position” when you have bought a security with the expectation that it will rise in value.

Trading Desk in Phoenix, Arizona or the Schwab Institutional Web Trading Applet. We have negotiated rates with Schwab that we believe are commensurate with the level of skill and service we and our clients receive from Schwab. We periodically renegotiate our commission rates to make sure that our clients are getting the best price for this service.

The Fredric E. Russell Investment Management Co. receives no soft dollar benefits.

The Fredric E. Russell Investment Management Co. receives no client referrals from a broker-dealer or a third party.

The Fredric E. Russell Investment Management Co. requires that clients use Charles Schwab & Co., Inc. as the custodian and broker for client accounts. Not all advisers require their clients to use a specific custodian and broker. The firm and Charles Schwab & Co, Inc. are not affiliates and have no economic relationship that creates a material conflict of interest—in other words, Schwab does not pay us to make you use them. We simply feel we get excellent service for a reasonable price, and using one custodian and broker-dealer for all client accounts allows us to most effectively manage your money. Our three Schwab traders know the firm and our investment strategies and trading style, which helps minimize costly trading errors. Schwab interfaces well with our Advent Axy's portfolio management software, which means that we know the reports we run using this software are accurate and can be used for investment activity. Our Schwab support team speedily handles our requests and concerns. The client also has access to his or her account online at www.schwab.com and can contact Schwab Alliance with any questions or concerns.

We aggregate the purchase and sale of securities for all client accounts. This allows all clients to receive the average price paid for or received from the day's trading in the security, rather than some clients receiving a higher or lower price than others.

Item Thirteen: Review of Accounts

We frequently review client accounts. These reviews may be triggered by the addition or withdrawal of a material sum of money from a client account, the cash balance or percentage of cash held in an account, or other factors. We frequently review all client positions in one particular security (such as when a company reports earnings) and may decide to review particular client accounts that are over- or underweighted in the security or have a significant gain or loss on the security.

Reviews are conducted by Fredric E. Russell, CEO, and Katie Michaels-Johnson, Portfolio Manager. Qian Zhang, Portfolio Management Assistant, also may from time to time review client accounts with Fred, Katie, or the client.

Item Fourteen: Client Referrals and Other Compensation

No one who is not a client provides an economic benefit to the Fredric E. Russell Investment Management Co. or any of its employees for providing investment advice or other advisory services to our clients.

The Fredric E. Russell Investment Management Co. does not directly or indirectly compensate any person who is not an employee or supervised person of the firm for client referrals.

Item Fifteen: Custody

The Fredric E. Russell Investment Management Co. does not have custody of any client funds or securities. All client funds and securities except for those in four legacy accounts are held by Charles Schwab & Co., Inc.

All of these legacy accounts are held at Bank of Oklahoma.

The custodians send monthly statements to the clients via electronic or paper mail, depending on the client's indicated preference. Clients should carefully review these statements. A client may also at any time request a statement from the Fredric E. Russell Investment Management Co., though the firm does not regularly send the client unsolicited statements.

Item Sixteen: Investment Discretion

When a client opens or transfers an account to the management of the Fredric E. Russell Investment Management Co., he or she signs a form, provided by Charles Schwab & Co., Inc., the custodian of the account, which grants the Fredric E. Russell Investment Management Co. limited power of attorney over the account. This means that the firm has the right to trade in equities and fixed income securities with no restrictions on behalf of the client, as summarized below:

The client authorizes the firm, at the firm's discretion, and without requiring notice to the client, to invest in (a) U.S. common stocks and, from time to time, (b) U.S. government obligations, without any percentage limitation for the preceding two categories.

To invest for the portfolio, the firm may use any cash held in the portfolio. This cash may arise from dividends, interest, cash deposits, and the sale of securities held in the portfolio. The firm may purchase and hold any security above without any percentage limitation. The client authorizes the firm to place buy and sell orders or investment instructions as it sees fit for the portfolio as well as to give investment and settlement instructions for the portfolio.

The firm will use Charles Schwab & Co., Inc. as broker and custodian for the account. By using Charles Schwab & Co., Inc. to effect brokerage services for the client, the firm can negotiate block or professional investment or trading privileges for its clients and can link the firm's Advent software system that generates performance reports for the portfolio.

Item Seventeen: Voting Client Securities

With the exception of assets owned directly by the Fredric E. Russell Investment Management Co. or Fredric E. Russell, the firm does not vote the proxies for clients. Clients will receive their proxies or other solicitations directly from their custodian. Clients may call the firm with questions about a particular solicitation, but the firm cannot guarantee it will give advice regarding any particular solicitation.

Item Eighteen: Financial Information

The Fredric E. Russell Investment Management Co. does not require or solicit prepayment of any fees from the client.

The Fredric E. Russell has discretionary authority over client funds and securities. The Fredric E. Russell Investment Management Co. is unaware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients.

The Fredric E. Russell Investment Management Co. has not been subject to a bankruptcy petition at any time during the past ten years, or ever.

Item Nineteen: Requirements for State-Registered Advisers

The Fredric E. Russell Investment Management Co. is registered with the state securities authorities of the states of Colorado and Oklahoma.

Fredric E. Russell is chief executive, financial, operations, and legal officer of the Fredric E. Russell Investment Management Co. The following is Fred's autobiography:

Born in New York City on February 17, 1944. Family had journalistic interests. Father wrote for [The New York World-Telegram & Sun](#) and [The Wall Street Journal](#). Stepmother wrote for [The New York Times](#). Fred developed early interest in journalism and in writing.

Attended public schools in New York City until 1957. When eight years old, Fred starts up, then edits and publishes a weekly neighborhood newspaper with limited circulation: less than two hundred copies. Lucky enough to sell one copy to the producer of the [Fred Allen show](#). (Fred Allen preceded Jack Paar and Johnny Carson, and Jay Leno on the NBC network evening talk show network.)

Producer impressed with Fred's entrepreneurial streak and invites Fred to appear on the show. Show features interviews with three guests whose job is to choose the one song of three played that the audience likes best. Contestants share one thousand dollar prize. Fred's share of the prize money—[\\$333.33](#)—is probably his greatest return on investment in his career. (At least when adjusted for inflation).

In 1957, [Deerfield Academy](#), Deerfield, Massachusetts accepts Fred as a freshman. Fred had excelled in public school in New York City but he finds the competition much more demanding at [Deerfield](#). Nevertheless, he persists and prevails. During Fred's stay at [Deerfield](#) it enrolls only boys, it is not co-ed, and the legendary headmaster, [Frank Learoyd Boyden](#), emphasizes sports to keep the boys out of trouble. There are eleven soccer teams—all which travel to play at other schools—in a school with an enrollment of less than five hundred students. Fred works his way up the soccer hierarchy, but, because his skills clearly lie outside of soccer, does not make it to the varsity.

Fred graduates from [Deerfield Academy](#) in 1961 and enrolls as a freshman at [Swarthmore College](#), Swarthmore, Pennsylvania. Fred chooses [Swarthmore](#) because he wants a highly-respected liberal arts college. Does not realize what he is getting into, as competition is as tough as at [Harvard](#). In 1965 graduates with a B.A. in history.

In 1965 [Washington University](#) in St. Louis, MO accepts Fred into the Ph.D. program in history, awarding him a National Defense Education Act Fellowship.

Fred spends many hours in [Washington University's](#) Olin Library reading books on American colonial history, but into his second year in the Ph.D. program he decides he is not rich enough to afford the genteel poverty that teaching history would probably dictate. Interpreting what has happened, the role of the historian, appears much less exciting than being part of business history, helping to create history as capitalist and entrepreneur.

Decides to accept M.A. in History and not pursue a Ph.D. Believes that this was one of his

best decisions. History is great, but lots of money is even better.

Returns to [Washington University](#) in 1970, enrolling in the MBA program, and majors in finance. Another good decision. MBA programs frequently teach entitlement but also teach many basics needed to do a good job in business. Receives MBA in 1972. Focus is investments. After graduation decides that his knowledge of financial statements and accounting is rudimentary and imperfect. Decides to learn accounting on his own, outside of a formal degree plan. Decides that best way to do this is to teach accounting and to enroll in accounting classes at same time. Perfect opportunity comes along: an offer to teach introductory accounting at [Eastern Michigan University](#) in Ypsilanti, Michigan on what was quaintly called a Visiting Lectureship. He can live in one of the most dynamic university towns, Ann Arbor, Michigan, make some money, and learn much more accounting, more than the competent but brief introduction that he experienced in the MBA program at [Washington University](#) in St. Louis.

Teaches introductory accounting at [Eastern Michigan University](#) in Ypsilanti at 9:00 A.M. and takes intermediate accounting at 10:00 A.M. Combines teaching and studying accounting for two years at [Eastern Michigan](#), one year at [Sam Houston State University](#) in Huntsville, Texas, and one year at [Montana State University](#) in Bozeman, Montana. Continues with teacher/student strategy until passes all parts of the CPA exam. Purpose in deepening knowledge of accounting is not to practice accounting, but to sharpen accounting skills for more sophisticated, productive understanding of financial statements and for better work in money management, where financial statement understanding is critical.

Loves accounting because he loves language and creative expression, and accounting, he learns, is like any other language: you can tell the truth, the whole truth or you can even create or write fiction. You can be expressive and creative except that you do it mostly with numbers, not words. For example, inventory at [Wal-Mart \(NYSE:WMT\)](#) can be valued at first in, first out, or average cost. Which is the correct or the accurate number? What is the truth? If [Wal-Mart](#) reports its earnings, and the valuation of inventory is a big factor in its earnings report, what indeed is the truth, and what indeed is the fiction? How much money did Wal-Mart actually earn, and how much money did it report as its earnings?

Leaves teaching profession after mastering accounting. Next goal is to put everything to work in the professional investment management business. Lands position with major bank in Tulsa, Oklahoma, [Fourth National Bank of Tulsa](#), as investment officer in the bank's trust department.

Produces excellent record and is frequently quoted (more than one hundred times) in [The Wall Street Journal](#), [Forbes](#), [Business Week](#), and the [Tulsa World](#) in his career at the bank.

Develops following among trust department clients and in September, 1987 forms the [Fredric E. Russell Investment Management Co.](#), dedicated to high levels of personal service and creative investment work. Investment strategy will not be complicated. Also, firm will do its own research.

Katherine T. Michaels-Johnson is the firm's chief compliance officer. She graduated in 2008 with a Bachelor of Arts degree in English and German from the University of Tulsa, where she studied as a National Merit Scholar. She also spent a semester studying literature and philosophy at Albert-Ludwigs Universität in Freiburg, Germany.

The Fredric E. Russell Investment Management Co. is not actively engaged in any business other than its investment advisory business.

No employee or supervised person of the Fredric E. Russell Investment Management Co. is compensated individually for advisory services with performance-based fees.

No management person of the Fredric E. Russell Investment Management Co. has been awarded or otherwise found liable in any arbitration claim or in a civil, self-regulatory organization, or administration proceeding of any kind.

No management person of the Fredric E. Russell Investment Management Co. has any relationship or arrangement with any issuer of securities not mentioned in Item Ten.