

**Form ADV Part 2A Disclosure Brochure**

**Item 1 - Cover Page**

Crawford Investment Counsel, Inc.  
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Date of Brochure: March 30, 2015

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This Disclosure Brochure ("Brochure") provides information about the qualifications and business practices of Crawford Investment Counsel, Inc. ("Crawford"). If you have any questions about the contents of this brochure, please contact Lisa Najdowski, Chief Compliance Officer at (770) 859-0045. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Crawford is an investment adviser registered with the SEC. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an investment adviser are intended to provide you with information to assist in your determination as to whether or not to retain the services of that investment adviser.

Additional information about Crawford is also available on the Internet at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can view information on this website by searching either Crawford's name or its CRD number: 110271.

## Item 2 – Material Changes

This Brochure, dated March 30, 2015 is the annual amendment to our disclosure. Our last annual amendment was dated March 31, 2014. Crawford will provide you with an updated Brochure, as required, based on the changes or new information, at any time without charge. There were no material changes since the last annual amendment; however, the following are updates since the annual amendment.

- Item 4, Ownership, was updated to reflect number of employees participating in the equity participation plan and to reflect assets under management and total accounts as of December 31, 2014.
- Item 5, Asset Management Services, was amended to provide annual fee for the Managed Income strategy and to add the Crawford Dividend Opportunity Fund (CDOFX) and the Crawford Dividend Yield Fund (CDYLX) and to amend the total expense ratios associated with the mutual funds.
- Item 7, Minimum Investment Amounts Required, was amended to reflect minimum requirements for the Managed Income Strategy.
- Item 8, Equity Investment Strategies, was updated to show a new investment strategy, Managed Income and to add Real Estate Investment Trust (REIT) Risk and Business Development Company (BDC) Risk.

Currently our Brochure may be requested by contacting Lisa Najdowski, Chief Compliance Officer at (770) 859-0045 or by e-mail at [Lnajdowski@crawfordinvestment.com](mailto:Lnajdowski@crawfordinvestment.com). We will provide you with a copy of our current Brochure at any time without charge.

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## **Item 4 – Advisory Business**

### **Ownership**

Crawford Investment Counsel, Inc. (“Advisor”) is an investment advisor registered with the U.S. Securities and Exchange Commission since October 15, 1980. Advisor is a corporation formed under the laws of the State of Georgia. The owners of Advisor are John H. Crawford III, John H. Crawford IV and David B. Crawford.

Crawford Investment Counsel implemented an equity participation plan in an effort to provide senior members of the firm with the ability to participate in the growth of the organization. At this time, there are nine employees participating in the plan.

### **General Description of Primary Advisory Services**

Advisor offers investment advisory services in the form of asset management services to various clients. They include but are not limited to individuals, institutions, pension and profit sharing plans, investment companies and financial services firms and their clients. Asset management services involve providing clients with continuous and on-going supervision over their accounts. This means that Advisor will continuously monitor a client’s account and make trades in client accounts when necessary. Our advisory services are generally offered on a discretionary basis through a variety of channels, including: (1) our traditional asset management services, (2) wrap fee programs sponsored by third party financial services firm, (3) registered investment companies and (4) private pooled investment vehicles.

Please see **Item 5, Fees and Compensation**, for a detailed description of the services provided and fees charged.

### **Limits Advice to Certain Types of Investments**

Advisor limits its investment advice to the following types of investments:

- Exchange-listed securities
- Securities traded over-the-counter
- Foreign issues
- Corporate debt securities (other than commercial paper)
- Commercial paper
- Certificates of deposit
- Municipal securities
- Mutual fund shares
- United States government securities

### **Tailor Advisor Services to Individual Needs of Clients**

Advisor’s services are always provided based on the specific needs of the individual client. Clients are given the ability to impose restrictions on their accounts, including specific investment selections and sectors. However, Advisor will not enter into an investment advisor relationship with a client whose investment objectives may be considered incompatible with Advisor’s investment philosophy or strategies or where the prospective client seeks to impose unduly restrictive investment guidelines.

### **Wrap-Fee Program versus Portfolio Management Program**

Advisor provides both traditional investment advisory and sub-advisory services to wrap fee sponsors and other registered investment advisors. In traditional portfolio management programs, advisory services are provided for a fee. In wrap-fee programs, the sponsor negotiates a management fee with the advisor and the client is charged a wrap fee which includes a transaction fee and a management fee. Wrap and sub-advised accounts are managed to a specific investment strategy, and the sponsor determines the appropriateness of the strategy for their client. Traditional accounts have a more complete process which considers the goals and objectives and relationship with the end client.

## **Client Assets Managed by Advisor**

The total amount of clients assets managed by Advisor was \$4,610,487,062.02 as of December 31, 2014. Of that total, \$4,559,517,248.57 were assets managed on a discretionary basis and \$50,969,813.45 were assets managed on a non-discretionary basis.

## **Item 5 – Fees and Compensation**

This section provides details regarding Advisor's services along with descriptions of fees and compensation arrangements.

### **Asset Management Services**

Advisor offers portfolio management services that include giving continuous investment advice and/or making investments for the client based on the individual needs, goals and objectives and risk tolerance of the client. Advisor provides both traditional and wrap-fee management services.

Advisor provides management services on a discretionary basis. This means that Advisor makes all decisions to buy, sell or hold securities, cash or other investments in the managed account in Advisor's sole discretion without consulting with the client before making any transactions. Clients must provide Advisor with written authorization to exercise this discretionary authority, and they can place reasonable restrictions and limitations on the discretionary authority. See **Item 16, Investment Discretion**, for additional discussion on discretionary authority.

A qualified custodian (i.e., a broker/dealer, registered investment advisor, bank, etc.) maintains custody of all client funds and securities. Advisor does not act as custodian and will not have direct access to client funds and securities with the exception of having advisory fees deducted from the account. Fee deduction is done with prior written approval of the client.

Advisor may assist the client in establishing a managed account (s) through a qualified custodian. Clients can direct Advisor to use a specific custodian or can allow Advisor to recommend a custodian based on currently established relationships. When clients direct the use of a particular custodian, Advisor may not be able to obtain the best prices and execution for the transaction. Clients who direct the use of a particular custodian may receive less favorable prices than would otherwise be the case than if they had not designated a particular custodian. Further, clients directing the use of a particular custodian may not be able to participate in aggregate trades (i.e., block trades) and directed trades may be placed by Advisor after effecting non-directed trades. See **Item 12, Brokerage Practices**, for additional discussion on selection of client custodians.

Advisor charges fees for management services based on a percentage of assets under management. Fees are billed quarterly in advance and calculated based on the market value of the account as of the beginning of the quarter. For balanced and common stock accounts, an annual fee of 0.75% is charged on the first \$5,000,000 in an account. If an account value is higher than \$5,000,000 then a fee of 0.50% is charged on the asset value greater than \$5,000,000. There is a minimum annual fee of \$25,000 on balanced and common stock accounts. For fixed income only accounts, an annual fee of 0.40% is charged on the first \$5,000,000 then an annual fee of 0.35% is charged on assets between \$5,000,000 and \$10,000,000, then an annual fee of 0.30% is charged on assets above \$10,000,000. There is a minimum annual fee of \$10,000 on fixed income only accounts. The annual fee for the managed income strategy is 1% on first \$3,000,000; 0.5% on the asset value greater than \$3,000,000.

Advisor may grant exceptions to these minimums if the new client is related to an existing Advisor client or accesses Advisor through other programs. There is no minimum account requirement for existing clients to establish a new managed account. If the minimum is reduced on Equity and Balanced accounts, the fee may be 1.0% on the first \$3,000,000 and .50% thereafter to reflect the lower initial balance.

Advisor may negotiate the fee charged in certain circumstances, such as the account having a substantially larger than average value or including a large concentration in one security. In all cases, Advisor discloses the fee charged prior to services being provided. If an account is created mid-quarter, the initial fee is prorated based on the number of days services were provided. In addition, any significant additions or

withdrawals to the account during the quarter are also prorated based on the time they are actually in the account.

If fees are deducted from a client's account, the client must provide the account custodian with written authorization to have fees deducted from the account and paid directly to Advisor. At the same time a billing notice is sent to the account custodian, Advisor also sends the client a billing notice showing the amount of the fee to be deducted, the manner in which the fee was calculated, any adjustments to the fee and an explanation of any adjustments. The custodian will send account statements to clients at least quarterly showing all disbursements from the account, including advisory fees. Clients should review account statements received from their account custodian and verify that appropriate advisory fees are being deducted.

Either party may terminate the agreement for services at any time by providing written notice to the other party. Termination is effective upon receipt of the notice. If services are terminated within 5 business days of executing the agreement, services will be terminated without penalty. If services are terminated after the initial five day period, fees are prorated based on the number of days that services are provided prior to receipt of notice of termination and a prorated refund is provided to client. Advisor provides a detailed billing statement to client upon termination.

### **Other Non-Advisory Fees**

Clients should be aware that they can invest in some mutual funds directly, without the services of Advisor. But in this case, they would not receive the services provided by Advisor that are designed to, among other things, assist them in determining which mutual funds are more appropriate to their financial condition and objectives. Accordingly, clients should review both the fees charged by the mutual fund(s) and Advisor to fully understand the total fees that they will pay.

Clients may be charged fees by other parties in connection with the investment advice provided by Advisor. These other fees may include brokerage commissions and/or transaction fees charged by the client's custodian. In addition, clients may incur certain charges imposed by third parties other than Advisor in connection with investments made through the account including, but not limited to, mutual fund sales loads, 12(b)-1 fees, contingent deferred sales charges and surrender charges, and IRA and qualified retirement plan fees. Management fees charged by Advisor are separate and distinct from the fees and expenses charged by investment company securities that may be recommended to the client. A description of these fees and expenses are available in each security prospectus.

### **Wrap Program Fees and Other Arrangements**

Advisor also manages client accounts using wrap-fee programs sponsored by unaffiliated broker/dealers. Clients typically pay 1.00% to 2.5% of their assets invested in the program. Advisor receives a portion of that fee which has been negotiated with sponsor, and there are no separate transaction charges. When determining whether to invest through a particular wrap-fee program, clients should consider such factors as the amount of the wrap fee, the amount of activity in their portfolio and the value of the custodial and other services provided. Clients should also realize the final wrap fee may exceed the aggregate cost of such services if the services were to be provided separately and if Advisor or other investment advisors were free to negotiate commissions and seek best price and execution for the client accounts.

Advisor's clients may elect to use Fidelity Investments ("Fidelity") as custodian for their managed accounts. Advisor participates in the Fidelity Wealth Advisor Solutions Program ("WAS Program") through which Advisor receives referrals from Strategic Advisers, Inc. ("SAI"), a registered investment advisor. SAI is also a subsidiary of FMR LLC, the parent company of Fidelity. Advisor is not affiliated with SAI or FMR LLC. SAI does not supervise or control Advisor, and SAI has no responsibility or oversight for Advisor's investment management or other advisory services.

Under the WAS Program, SAI acts as a solicitor for Advisor and Advisor pays referral fees to SAI for each referral received. These referral fees are based on Advisor's assets under management attributable to each client (or members of client's household) referred by SAI. The WAS Program is designed to help investors find an independent investment advisor; referrals from SAI to Advisor do not constitute a recommendation or endorsement by SAI of Advisor's particular management services or strategies. Advisor pays the following amounts to SAI for referrals: an annual percentage of 0.10% of all account

assets identified as “fixed income assets,” defined as any asset coded with a fixed income or cash product identification on the FBS security master system and an annual percentage of 0.25% of all other assets held in client accounts. Referral fees are paid by Advisor and not the client. Referral fees are billed quarterly in arrears and based on the average daily balance of assets held in client accounts.

To receive referrals from the WAS Program, Advisor must meet certain minimum participation criteria, although Advisor may have been selected for participation in the WAS Program due to its other business relationships with SAI and its affiliates, including Fidelity Brokerage Services, LLC (“FBS”). As a result of participating in the WAS Program, Advisor may have a potential conflict of interest relative to its decision to use certain affiliates of SAI, including FBS, for execution, custody and clearing services on certain client accounts. Advisor may also have a potential conflict due to the incentive to suggest its advisory clients use FBS and its affiliates even though those advisory clients were not referred to Advisor as a part of the WAS Program.

Pursuant to an agreement with SAI, Advisor has agreed that they will not charge clients more than the standard range of advisory fees disclosed in this Form ADV Part 2A in order to cover the solicitation fees paid to SAI as part of the WAS Program. The Advisor may reduce the minimum fee or asset level required to access services of the Advisor. In this case the fee charged may be higher to reflect a lower minimum level of assets or lower minimum fee. Also pursuant to these arrangements, Advisor has agreed not to solicit clients to transfer their brokerage accounts from SAI affiliates or establish brokerage accounts at other custodians for referred clients other than when Advisor’s fiduciary duties would require Advisor to do so. Therefore, Advisor may have an incentive to suggest that referred clients (and their household members) maintain custody of their accounts with SAI affiliates. However, participation in the WAS Program does not limit Advisor’s duty to select brokers on the basis of best execution.

Advisor also receives client referrals from Charles Schwab & Co., Inc. (“Schwab”) through Advisor’s participation in Schwab Advisor Network® (“SAN”). SAN is designed to help investors find an independent investment advisor. Schwab is a broker-dealer independent of and unaffiliated with the Advisor. Schwab does not supervise Advisor and has no responsibility for Advisor’s management of clients’ portfolios or Advisor’s other advice or services. Advisor pays Schwab fees to receive client referrals through SAN. Advisor’s participation in SAN may raise potential conflicts of interest described below.

Advisor pays Schwab a Participation Fee on all referred clients’ accounts that are maintained in custody at Schwab and a Non-Schwab Custody Fee on all accounts that are maintained at, or transferred to, another custodian. The Participation Fee paid by Advisor is a percentage of the fees the client owes to Advisor or a percentage of the value of the assets in the client’s account, subject to a minimum Participation Fee. Advisor pays Schwab the Participation Fee for so long as the referred client’s account remains in custody at Schwab. The Participation Fee is billed to Advisor quarterly and may increase, decrease or be waived by Schwab from time to time. The Participation Fee is paid by Advisor and not by the client. Advisor has agreed not to charge clients referred through SAN fees or costs greater than the fees or costs Advisor charges clients with similar portfolios who were not referred through the SAN.

Advisor generally pays Schwab a Non-Schwab Custody Fee if custody of a referred client’s account is not maintained by, or assets in the account are transferred from Schwab. This Fee does not apply if the client was solely responsible for the decision not to maintain custody at Schwab. The Non-Schwab Custody Fee is a one-time payment equal to a percentage of the assets placed with a custodian other than Schwab. The Non-Schwab Custody Fee is higher than the Participation Fees Advisor generally would pay in a single year. Thus, Advisor will have an incentive to recommend that client accounts be held in custody at Schwab.

The Participation and Non-Schwab Custody Fees will be based on assets in accounts of Advisor’s clients who were referred by Schwab and those referred clients’ family members living in the same household. Thus, Advisor will have incentives to encourage household members of clients referred through SAN to maintain custody of their accounts and execute transactions at Schwab and to instruct Schwab to debit Advisor’s fees directly from the accounts.

For accounts of Advisor’s clients maintained in custody at Schwab, Schwab will not charge the client separately for custody but will receive compensation from Advisor’s clients in the form of commissions or other transaction-related compensation on securities trades executed through Schwab. Schwab also will receive a fee (generally lower than the applicable commission on trades it executes) for clearance and settlement of trades executed through broker-dealers other than Schwab. Schwab’s fees for trades executed at other broker-dealers are in addition to the other broker-dealer’s fees. Thus, Advisor may have



an incentive to cause trades to be executed through Schwab rather than another broker-dealer. Advisor nevertheless, acknowledges its duty to seek best execution of trades for client accounts. Trades for client accounts held in custody at Schwab may be executed through a different broker-dealer than trades for Advisor's other clients. Thus, trades for accounts custodied at Schwab may be executed at different times and different prices than trades for other accounts that are executed at other broker-dealers.

As discussed in Item 14, Advisor maintains solicitor or referral arrangements in compliance with rule 206(4)-3 under the Investment Advisers Act of 1940, and the rules set forth by the respective state jurisdictions.

### **Performance Fee Billing**

At the specific request of a client, and on an exception basis only, asset management services previously described may be offered for a performance fee. The Advisor requires a qualified client must have at least \$50 million in assets under management to qualify for a performance based fee. This means that Advisor's fees are based on a share of capital gains or capital appreciation of a client's assets. Any performance fee arrangements will comply with Section 205-3 of the *Investment Advisers Act of 1940*. According to the *Act* and SEC Rule 205-3, only natural persons meeting the definition of "qualified clients" may enter into agreements providing for performance based compensation. A natural person or company must meet the following conditions to be considered a qualified client:

- Have at least \$1,000,000.00 under management with Advisor at the time the client enters into an agreement with Advisor; or
- Provide documentation to Advisor so that it reasonably believes the client has either a net worth of \$2,000,000.00 or is a qualified purchaser under Section 2(a)(51)(A) of the *Investment Company Act*.

If performance fees are charged, Advisor's annual base fee is .50% of the assets managed as well as an annual performance fee of .20%. The performance fee will be calculated as any return over the return of the appropriate benchmark (e.g., Russell 1000 Value Index, S&P 500, Dow Jones Industrial Average, etc.) applicable to the management strategy selected for the client's account. The applicable benchmark, as well as the time horizon used, will be determined between Advisor and client and disclosed in the client agreement before any services is provided.

The fee is payable quarterly, in arrears. Fees are billed and paid in the same manner as previously described for the stand-alone asset based fee management program. Clients are responsible for any commissions or transaction costs charged by custodian in association with implementing and maintaining this strategy.

Please see **Item 6, Performance Based Fees and Side-by-Side Management**, for additional information.

### **Mutual Fund Advisory Services**

Advisor also provides investment management services to investment companies such as mutual funds. Under this type of service, an investment company contracts with Advisor, and Advisor is then responsible for managing all or a portion of the investment company assets. An investment company can be described as a firm that invests the pooled funds of retail investors for a fee. By combining the funds of a large number of small investors into a specific investment (in line with the objectives of the investors), an investment company gives individual investors access to a wider range of securities than the individual investors themselves would have been able to access. Also, individual investors should be able to save on trading costs since the investment company is able to gain economies of scale in operations. There are two types of investment companies: open-end (mutual funds) and closed-end (investment trusts). An investment company must be registered under the *Investment Company Act of 1940*.

Specifically, Advisor serves as investment advisor to the Crawford Dividend Growth I (CDGIX), the Crawford Dividend Growth C (CDGCX), the Crawford Dividend Yield Fund (CDYLX) and the Crawford Dividend Opportunity Fund (CDOFX). CDGIX, CDGCX and CDYLX are non-diversified funds seeking maximum total return. They typically invest in common stocks of large capitalization companies. The Crawford Dividend Opportunity Fund (CDOFX) typically invests in common stocks of small capitalization companies and seeks to maximize total return through long term stock ownership of those companies determined to possess attractive fundamentals and consistent dividends. The Crawford Dividend Yield

Fund (CDYLX) seeks long-term total return with above average dividend yield and typically invests in companies with market capitalizations of \$1 billion or more at the time of purchase. The Fund may also invest in equity real estate investment trusts ("REITs").

The total expense ratio associated with the mutual funds is 0.96% for CDGIX, 1.96% for CDGCX, 1.02% for CDYLX and 1.0% for CDOFX. In that figure, other applicable fund fees (i.e., 12b-1 fees, etc.) apply. Advisor may also recommend these funds to its private advisory clients. If any of its private advisory clients invest in the fund, Advisor will waive its advisory fees charged for management services on those funds invested.

### **Tax-Exempt Pooled Trust Services**

Advisor provides investment management services to private funds and securities. A private fund or security is an investment that is exempt from registration under the *Investment Company Act of 1940*, the *Securities Act of 1933* or both.

Advisor provides investment management services to The Crawford Investment and Retirement Group Trusts, a private, tax-exempt pooled trust designed to permit qualified employee benefit plans and individual retirement accounts to co-mingle all or a portion of their assets for investment and diversification. The object of a private investment vehicle is to provide access to investment types that would otherwise have minimum account sizes out of reach of most clients. As the investment manager, Advisor is responsible for all major decisions of the trust including, without limitation, amending or changing the trust's investment objective, investment strategy and investment policies or limitations. Advisor would normally also be responsible for recommending and soliciting investors to the trust, and there would have been a \$100,000 minimum investment required. The Crawford Retirement Group Trust is currently closed and no new investors are being accepted. However, The Crawford Investment Group Trust that remains open to new qualified participants. Less than 1% of our clients are invested in this trust.

Advisor is compensated for its private investment management services based on a percentage of assets within the trust. Advisor receives an annual fee of 1% which is charged quarterly in advance and calculated on the trust value as of the end of the previous quarter. State Street Bank serves as Trustee of the Trusts and is responsible for paying Advisor its fee from the private trust's assets.

### **Retirement Plan Services**

Advisor offers investment advisory services to retirement plan sponsors and to individual participants in retirement plans. For a corporate sponsor of a retirement plan, our retirement plan investment advisory services may include, but are not limited to, the following services:

#### **Fiduciary Consulting Services**

- **Investment Policy Statement Development.** Advisor assists with development of an investment policy statement. The investment policy statement establishes the investment policies and objectives for the plan. The plan sponsor has the ultimate responsibility and authority to establish such policies and objectives and to adopt and amend the investment policy statement.
- **Investment Selection Services.** Advisor provides the plan sponsor with recommendations of investment options consistent with ERISA Section 404(c).
- **Investment Monitoring.** Advisor assists in monitoring investment options by preparing periodic investment reports that document investment performance, consistency of fund management and conformation to the guidelines set forth in the investment policy statement. Advisor makes recommendations to maintain or remove and replace investment options.
- **Individualized Participant Advice.** Upon request from the plan sponsor, Advisor provides one-on-one advice to plan participants regarding their individual situations.

Advisor acknowledges that in performing the services listed above that it is acting as a "fiduciary" as such term is defined under Section 3(21)(A)(ii) of *Employee Retirement Income Security Act of 1974* ("ERISA") for purposes of providing non-discretionary investment advice only. Advisor acts in a manner consistent with the requirements of a fiduciary under ERISA if, based upon the facts and circumstances, such services cause Advisor to be a fiduciary as a matter of law. However, in providing these services, Advisor (a) has no responsibility and does not (i) exercise any discretionary authority or discretionary control respecting

management of client's retirement plan, (ii) exercise any authority or control respecting management or disposition of assets of client's retirement plan, or (iii) have any discretionary authority or discretionary responsibility in the administration of client's retirement plan or the interpretation of client's retirement plan documents, (b) is not an "investment manager" as defined in Section 3(38) of ERISA and does not have the power to manage, acquire or dispose of any plan assets, and (c) is not the "Administrator" of client's retirement plan as defined in ERISA.

The exact services provided to a client are listed and detailed in the Qualified Retirement Plan Agreement.

Advisor discloses to plan sponsor, to the extent required by ERISA Regulation Section 2550.408b-2(c), any change to the information that Advisor is required to disclose under ERISA Regulation Section 2550.408b-2(c)(1)(iv) as soon as practicable, but no later than sixty (60) days from the date on which Advisor is informed of the change (unless such disclosure is precluded due to extraordinary circumstances beyond Advisor's control, in which case the information is disclosed as soon as practicable).

In accordance with ERISA Regulation Section 2550.408b-2(c)(vi)(A), Advisor discloses within thirty (30) days following receipt of a written request from the responsible plan fiduciary or plan administrator (unless such disclosure is precluded due to extraordinary circumstances beyond our control, in which case the information is disclosed as soon as practicable) all information related to the Qualified Retirement Plan Agreement and any compensation or fees received in connection with the Agreement that is required for the plan to comply with the reporting and disclosure requirements of Title 1 of ERISA and the regulations, forms and schedules issued thereunder.

If Advisor makes an unintentional error or omission in disclosing the information required under ERISA Regulation Section 2550.408b-2(c)(1)(iv) or (vi), Advisor will disclose the correct information as soon as practicable, but no later than thirty (30) days from the date on which Advisor learns of such error or omission.

For retirement plan sponsors and plan participants, Advisor charges a fee ranging from 0.40% to 1% per year. For plan sponsors, this fee is negotiable based upon the complexity of the plan, the size of the plan assets, the actual services requested and number of participants. For plan participants, this fee is negotiable based upon the actual services requested and the complexity of the participant's situation.

For both plan sponsors and participants, fees are billed in and calculated based on the fair market value of the client's account as of the last business day of the current billing period. For accounts opened mid-billing period, fees are prorated based on the number of days services are provided during the initial billing period. Retirement plan sponsors may also elect to pay all or a portion of fees for the individualized services provided by us to the plan participants.

Clients can elect to have the fee deducted from their account or billed directly and due upon receipt of the billing notice. If clients elect to have the fee automatically deducted from an existing account, they are required to provide the custodian with written authorization to deduct the fees from the account and pay the fees to Advisor. Advisor provides the custodian with a fee notification statement.

Advisor does not reasonably expect to receive any other compensation, direct or indirect, for its services. If any other compensation is received for such services, Advisor will (i) offset that compensation against our stated fees, and (ii) disclose the amount of such compensation, the services rendered for such compensation and the payer of such compensation to the plan sponsor.

### **Additional Compensation**

We do not receive any compensation other than the fees described in this Disclosure Brochure.

### **Comparable Services**

Advisor believes its fees for advisory services are reasonable with respect to the services provided and the fees charged by other investment advisors offering similar services. However, lower fees for comparable services may be available from other sources.

## **Item 6 – Performance-Based Fees and Side-By-Side Management**

Performance based fees are defined as fees based on a share of capital gains on or capital appreciation of the assets held in a client's account. Clients should be aware that there are potential conflicts of interest when Advisor manages accounts on a performance fee basis. For example, the nature of a performance fee poses an opportunity for Advisor to earn more compensation than under a stand-alone asset based fee. Thus, even though Advisor provides performance fee billing on an exception basis only, Advisor may favor performance fee accounts over those accounts where it receives only an asset based fee. Advisor may devote more time and attention to performance fee accounts than to accounts under an asset-based arrangement. In addition, performance fees can encourage unnecessary speculation with client assets in order to earn or increase the amount of the fee. The result of riskier investments can have a positive effect in that results could equal higher returns when compared to an asset-based account. On the other hand, riskier investments historically have a higher chance of losing value. Also, a performance fee arrangement could give Advisor an incentive to time transactions in a client's account on the basis of fee considerations rather than on what is necessarily in the best interest of the client. Performance fees can potentially cause Advisor to engage in transactions or strategies which increase the amount of the performance fees but which may not increase overall performance of the client's account.

Advisor does not represent that the amount of the performance fees or the manner of calculating performance fees is consistent with other performance related fees charged by other investment advisor under the same or similar circumstances. The performance fees charged by Advisor may be higher than the performance fees charged by other investment advisors for the same or similar services.

Advisor has established policies and procedures to address the various conflicts of interest associated with charging a performance fee:

- It devotes equal time to managing performance fee accounts and asset based accounts.
- Clients requesting performance fee arrangements and granted an exception to do so must be able to assume additional risk. Advisor provides these clients full disclosure of the additional risks associated with a performance fee arrangement.
- Advisor's representatives typically manage personal accounts using a similar investment strategy used for clients.
- Advisor has implemented internal compliance policies and procedures designed to comply with applicable state and federal securities law. Procedures are available to clients upon request.

Please see **Item 5, Fees and Compensation**, for additional information concerning the asset management services provided on a performance fee basis.

## **Item 7 – Types of Clients**

Advisor generally provides investment advice on a discretionary basis to individuals, including high net worth, investment companies, pension and profit sharing plans, trusts, estates charitable organizations, pooled investment vehicles, municipalities, Taft-Hartley plans, corporations and other business entities.

### **Minimum Investment Amounts Required**

Advisor charges a minimum annual fee of \$25,000 for balanced and common stock accounts. Advisor charges a minimum annual fee of \$10,000 for a new client establishing a fixed income only account. Advisor may grant exceptions to these fee minimums if the new account is related to an existing Advisor client or if the client utilizes Advisor's services through other programs. There is a \$200,000 minimum for the Managed Income Strategy.

Advisor requires that any qualified client requesting performance fee billing must have a minimum of \$50 million in assets under management with Advisor.

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

### **Methods of Analysis**

As of December 31, 2014, Advisor has a staff of 41: 13 hold the CFA designation and 10 have received their MBA. Advisor's equity and fixed income investment teams were comprised of 14 investment professionals. The equity investment team has an average firm tenure of 14 years and 22 years of experience. The fixed income team has an average firm tenure of 12 years and averages 26 years of industry experience

### **Equity Investment Philosophy & Approach:**

Advisor believes investing for the long-term in companies with sound management, strong balance sheets, and the ability to produce consistent earnings and dividends is a low risk means of building wealth. Advisor utilizes a bottom-up, value oriented equity approach. As long-term investors, portfolios generally remain fully invested. The equity investment teams consist of portfolio managers, equity analysts and one equity trader. The portfolio managers and equity analysts work together to determine the appropriate stocks for the investment portfolios.

### **Equity Investment Strategies:**

Advisor's equity investment products attempt to provide attractive long-term returns over a full market cycle while protecting capital in down markets. A common theme across the equity products is the identification of undervalued, high quality companies that have consistently growing businesses and strong balance sheets.

**Dividend Growth** – Value portfolios that focus on undervalued, high quality companies that have consistent businesses and strong balance sheets. All securities are selected from the Consistent Dividend Growth Universe.

- Long-term investor
- Bottom-up, value oriented
- Fundamental research driven
- 30-35 stocks
- 25-30% average annual turnover

**Dividend Yield** – Value portfolios that focus on undervalued, high quality companies that have consistent businesses and strong balance sheets. Dividend Yield portfolios are constructed to provide a higher current yield than the Dividend Growth portfolio. Portfolio holdings are not required to be a member of the Consistent Dividend Growth Universe.

- Long-term investor
- Bottom-up, value oriented
- Fundamental research driven
- 40-50 stocks
- 25-30% average annual turnover

**Core Equity** – Core Equity is an opportunistic, all cap portfolio focused on consistent, high quality companies with attractive valuations to deliver long term total returns. Portfolio holdings are not required to be a member of the Consistent Dividend Growth Universe.

- Long-term investment approach with a focus on total returns
- All Cap Portfolio
- Fundamental research driven
- 30-50 stocks
- 25-30% expected annual turnover

**Dividend Opportunity** – Dividend Opportunity is a small cap portfolio focused on consistent, high quality companies with attractive valuations. Portfolio holdings are not required to be a member of the Consistent Dividend Growth Universe, but must pay ongoing dividends.

- Long-term investment approach with a focus on total returns
- All Small Cap portfolio
- Fundamental research driven
- 60-75 stocks
- 30-35% expected annual turnover

**Managed Income** – Managed Income portfolios include common and preferred stocks, Real Estate Investment Trusts (REITs), and business development companies, among others. All the securities are publicly traded and there are no K-1s.

- Long-term investment approach with a focus on generating income
- Diversified portfolio
- Fundamental research driven
- 30-40 individual investments
- 30-35% expected annual turnover

#### **Fixed Income Investment Philosophy & Approach:**

Advisor's fixed income investment philosophy is based on the belief that bonds are investments meant for capital preservation and income production, that diversification is the foundation of the portfolio management process and that yield relationships tend to exhibit mean reversion over time. Having met standards for inclusion in our investable universe and in concert with a client's stated objectives, buy decisions are driven from a relative value standpoint. Sell decisions are prompted by overvaluation and deteriorating issuer fundamentals.

Securities are selected from the upper bands of the quality spectrum to achieve the mandates of preservation of capital and maximization of income. The investment process is highly transparent and focuses on the more traditional sectors of the fixed income market. The fixed income investment team consists of four portfolio managers and one fixed income analyst.

**Core Bond** – High quality portfolios invested in US Treasury and agency, corporate and taxable municipal securities.

- High quality bias
- Focus on principal preservation and income
- Laddered maturity distribution with intermediate focus
- 20-30 issues
- 30-40% average annual turnover

**National Municipal Bond** – Portfolios designed to maximize after-tax yield within the confines of high quality by investing in sophisticated municipal securities across the country.

- Intermediate effective maturity, laddered portfolio
- High quality, investment grade securities
- 20-30 issues
- 10-20% average annual turnover

## **Risk of Loss**

Investing in securities involves a risk of loss that clients should be prepared to bear, including the loss of original principal. You should also be aware that past performance of any security is not necessarily indicative of future results. Therefore, you should not assume that future performance of any specific investment or investment strategy will be profitable. Advisor does not provide any representation or guarantee that client goals will be achieved.

Investing in securities involves risk of loss. Further, depending on the different types of investments, there may be varying degrees of risk:

- **Market Risk.** Either the market as a whole, or the value of an individual company, goes down, resulting in a decrease in the value of client investments. This is referred to as systemic risk.
- **Equity (Stock) Market Risk.** Common stocks are susceptible to fluctuations and to volatile increases/decreases in value as their issuers' confidence in or perceptions of the market change. Investors holding common stock (or common stock equivalents) of any issuer are generally exposed to greater risk than if they hold preferred stock or debt obligations of the issuer.
- **Company Risk.** There is always a certain level of company or industry specific risk when investment in stock positions. This is referred to as unsystematic risk and can be reduced through appropriate diversification. There is the risk that a company may perform poorly or that its value may be reduced based on factors specific to it or its industry (e.g., employee strike, unfavorable media attention).
- **Fixed Income Risk.** Investing in bonds involves the risk that the issuer will default on the bond and be unable to make payments. In addition, individuals depending on set amounts of periodically paid income face the risk that inflation will erode their spending power. Fixed-income investors receive set, regular payments that face the same inflation risk.
- **ETF and Mutual Fund Risk.** ETF and mutual fund investments bear additional expenses based on a pro-rata share of operating expenses, including potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities held by the ETF or mutual fund. Clients also incur brokerage costs when purchasing ETFs.
- **Real Estate Investment Trust (REIT) Risk:** The value of REITs can be negatively impacted by declines in the value of real estate, adverse general and local economic conditions and environmental problems. REITs are also subject to certain other risks related specifically to their structure and focus, such as: (a) dependency upon management's skills; (b) limited diversification; (c) heavy cash flow dependency; (d) possible default by borrowers; and (e) in many cases, less liquidity and greater price volatility.
- **Business Development Company (BDC) Risk:** As a company that is created to help grow small companies in the initial stages of their development, the BDC's assets are invested in early stage companies which may be more volatile due to their limited product lines, markets, financial reserves, or their susceptibility to competitors' actions, major economic setbacks or downturns. These small companies may also require significant investment of capital supplied by the BDC to support their operations and they may finance the development of their products or markets. The small companies may be highly leveraged and subject to significant debt service obligations which could have a material adverse impact on the value of the BDC investment.
- **Management Risk.** Client investments also vary with the success and failure of Advisor's investment strategies, research, analysis and determination of portfolio securities. If Advisor's strategies do not produce the expected returns, the value of a client's investments will decrease.

Advisor does not use margin in investment strategies. You may direct Advisor to use margin if they elect to borrow funds against their investment portfolio. When you purchase securities, you may pay for the securities in full or borrow part of the purchase price from your account custodian or clearing firm. If you borrow part of the purchase price then you are engaging in margin transactions and there is risk involved with this. The securities held in your margin account are collateral for the custodian or clearing firm that loaned you the money. If those securities decline in value, then the value of the collateral supporting your loan also declines. As a result, the brokerage firm is required to take action in order to maintain the necessary level of equity in your account. The brokerage firm may issue a margin call and/or sell other assets in your account.

It is important that you fully understand the risks involved in trading securities on margin, including:

- You can lose more funds than you deposit in your margin account
- The account custodian or clearing firm can force the sale of securities or other assets in your account
- The account custodian or clearing firm can sell your securities or other assets without contacting you
- You are not entitled to choose which securities or other assets in your margin account may be liquidated or sold to meet a margin call
- The account custodian or clearing firm may move securities held in your cash account to your margin account and pledge the transferred securities
- The account custodian or clearing firm can increase its “house” maintenance margin requirements at any time and are not required to provide you advance written notice
- You are not entitled to an extension of time on a margin call

### **Primary Method of Analysis or Strategy**

Fundamental analysis takes a long-term approach to analyzing markets, often looking at data over a number of years. The data reviewed is released over years (e.g., quarterly financial statements). Therefore, fundamental analysis could mean a gain is not realized until a security’s market price rises to its “correct” value over the long run—perhaps several years. Fundamental analysis usually involves less frequent trading practices which could also have a positive or negative impact on a client’s portfolio value, but likely has reduced brokerage and transaction costs.

### **Primary Recommend One Type of Security**

We do not recommend any specific security to clients. Instead, we recommend products or strategies which we believe as suitable for each client relative to their specific circumstances and needs.

## **Item 9 – Disciplinary Information**

Advisor has no legal or disciplinary events that are material to a client’s or prospective client’s evaluation of Advisor’s business or the integrity of its management. Therefore, this item is not applicable to Advisor’s brochure.

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

Please see **Item 5, Fees and Compensation**, for discussion concerning Advisor’s relationship with Crawford Dividend Growth Funds, Crawford Dividend Opportunity Fund and the Group Trust tax-exempt pooled trusts.

When Advisor recommends that its private clients invest in one of the funds, a material conflict exists in that Advisor’s incentive to recommend the funds may be based on economic factors and not necessarily the client’s best interest. However, it is Advisor’s policy that the solicitation of private clients to invest in the funds be based on the client’s goals and risk tolerance. In addition, if private clients do invest in the funds, Advisor does not charge a management fee on those assets due to the fact that the Crawford Dividend Growth Fund, the Crawford Dividend Opportunity Fund and Group Trust Tax-Exempt pooled Trust pays a management fee to Advisor.



Clients of Advisor were not obligated to invest in the Group Trust but were solicited based on their goals and risk tolerance. New investors are being accepted. Advisor receives a separate fee for managing the trust and a client's investment allocation in the trust will not be included in the client's overall management fee calculation paid to Advisor.

Please also refer to **Item 5, Fees and Compensation**, for a discussion concerning Advisor's relationship with Fidelity through the WAS Program.

Advisor does not have a related person that is:

- A broker/dealer, municipal securities dealer or government securities dealer or broker
- A investment adviser or financial planner
- A futures commission merchant, commodity pool operator or commodity trading advisor
- A banking or thrift institution
- Accountant or accounting firm
- A lawyer or law firm
- An insurance company or agency
- A pension consultant
- A real estate broker or dealer
- A sponsor or syndicator of limited partnerships.

## **Item 11 – Code of Ethics, Participation in Client Transactions and Personal Trading**

### **Code of Ethics**

Section 204A-1 of the *Investment Advisers Act of 1940* requires all investment advisers to establish, maintain and enforce a Code of Ethics. According to the *Investment Advisers Act of 1940*, an investment advisor is considered a fiduciary. As a fiduciary, it is an investment advisor's responsibility to provide fair and full disclosure of all material facts. In addition, an investment advisor has a duty of utmost good faith to act solely in the best interest of each client. Advisor and its representatives have a fiduciary duty to all clients. Advisor has established a Code of Ethics that all persons associated with the firm must read. They must then execute an acknowledgment agreeing that they understand and agree to comply with the Code of Ethics. The fiduciary duty of Advisor and its representatives to clients is considered the core underlying principle for Advisor's Code of Ethics and represents the expected basis for all dealings with clients. Advisor has the responsibility to make sure that the interests of clients are placed ahead of it or its associated persons' own investment interests. All representatives will conduct business in an honest, ethical and fair manner. All representatives will comply with all federal and state securities laws at all times. Full disclosure of all material facts and potential conflicts of interest will be provided to clients prior to services being conducted. All representatives have a responsibility to avoid circumstances that might negatively affect or appear to affect their duty of complete loyalty to clients. This section is only intended to provide current clients and potential clients with a description of Advisor's Code of Ethics. If current clients or potential clients wish to review Advisor's Code of Ethics in its entirety a copy may be requested from Lisa Najdowski, Chief Compliance Officer, and it will be provided promptly.

### **Participation or Interest in Client Transactions**

Advisor may recommend that clients invest in Crawford Dividend Growth Fund I, the Crawford Dividend Growth Fund C, or the Crawford Dividend Opportunity Fund. Advisor is the investment manager for these funds and is compensated for the services it provides. Advisor does not charge management fee to client on allocation to fund.

Advisor established a tax-exempt pooled trust designed to permit qualified employee benefit plans and individual retirement accounts to co-mingle all or a portion of their assets for investment and diversification. Advisor receives a separate fee for managing the trust and a client's investment allocation in the trust will be excluded in the client's overall management fee calculation paid to Advisor.

## **Personal Trading**

Advisor and its representatives may buy or sell securities for their own accounts that are recommended to clients. Advisor has policies in place for protecting the clients interest first. They also recommend the purchase or sale of different securities for different clients at different times. This could result in contrary advice being given or action taken on behalf of clients and in the personal accounts of Advisor and its representatives. To prevent conflicts of interest, associated persons must have personal trading preapproved by Chief Compliance Officer before execution of transaction.

Advisor is now and will continue to be in compliance with *The Insider Trading and Securities Fraud Enforcement Act of 1988*. To prevent conflicts of interest, Advisor's Code of Ethics includes personal investment and trading policies for all employees, including their immediate family members (collectively, access persons). The Code of Ethics is distributed to all access persons, upon employment, annually and upon amendment and all access persons acknowledged they have read, understand and agree to abide by Advisor's policies and procedures. The policies include:

- Access persons cannot prefer their own interests to that of the client
- Access persons cannot purchase or sell any security for their personal accounts prior to implementing transactions for client accounts
- Access persons cannot buy or sell securities for their personal accounts when those decision are based on information obtained as a result of their employment, unless that information is also available to the investment public upon reasonable inquiry
- Advisor maintains a list of all securities holdings for itself and all Access persons; this list is reviewed on a regular basis by Advisor's Chief Compliance Officer

Any associated persons not observing Advisor's policies, or violating any applicable state and federal advisory practice regulations, is subject to sanctions up to and including termination.

## **Item 12 – Brokerage Practices**

Clients wishing to implement Advisor's advice are free to select any broker/dealer or investment advisor they wish and are so informed. Best execution of client transactions is an obligation Advisor takes seriously and is a catalyst in the decision of using an account custodian. While quality of execution at the best price is an important determinant, best execution does not necessarily mean lowest price and it is not the sole consideration. When Advisor has discretion as to placement of transactions, it considers the following:

- Where the best execution (price) is likely to be obtained. This is a function of past experience with individual firms, particular brokers and traders and the security in question.
- A brokerage firm's research and investment ideas that directly impact a client's portfolio.
- Price (the amount of commission paid). All trades are negotiated to the appropriate level based on the size of the trade and its complexity to execute.
- The operational aspects of brokerage firms' back office (will the client receive payment of securities on a timely basis), and custodian or other administrative service. Because of these considerations Advisor may pay a brokerage commission in excess of that which another broker might have charged for having effected the same transaction in recognition of the value of brokerage or research services provided by the broker.

The custodians for Advisor's clients may make available other products and services at a reduced cost or at no cost. These other products and services may benefit Advisor but may not benefit its clients' accounts. Some of these other products and services assist Advisor in managing and administering clients' accounts, including:

- Software and other technology that provide access to client account data (such as trade confirmations and account statements)
- Facilitation in trade execution (and allocation of aggregated trade orders for multiple client accounts)
- Research, pricing information and other market data
- Facilitation for payment of fees to Advisors from clients' accounts
- Assistance with back-office functions, record-keeping and client reporting.

These custodians may also offer other services intended to help Advisor manage and further develop its business enterprise, such as:

- Consulting
- Publications and conferences on practice management
- Information technology
- Business succession
- Regulatory compliance
- Marketing

As a fiduciary, Advisor endeavors to act in its clients' best interests. However, any recommendation that clients maintain their assets in accounts at certain custodians may be based in part on the benefit to Advisor of the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by such custodians. This may create a potential conflict of interest. Clients are under no obligation to act on the recommendations of Advisor.

Clients may select a broker/dealer or account custodian different from one recommended by Advisor and direct Advisor to use that broker/dealer or custodian to maintain custody of their assets. Advisor has discretion to reject the client's request for directed brokerage. If Advisor does not agree to manage the client's assets at another custodian, the client is free to choose a custodian recommended by Advisor or to choose another advisor to manage their assets. When a client directs the use of a particular broker/dealer or other custodian, Advisor may not be able to obtain the best price and execution for the transaction. Clients who direct the use of a particular broker/dealer or custodian may receive less favorable prices than would otherwise be the case if clients had not designated a particular broker/dealer or custodian. Further, directed trades may be placed by Advisor after effecting non-directed trades.

#### **Soft Dollar Commission Policy**

Consistent with its discretionary authority to select particular brokers, Advisor utilizes some commission dollars in order to obtain services that directly benefit clients' portfolios, such as research products. Soft dollar executions are done through reputable brokers only and only done in cases where execution is not sacrificed. The brokers provide low commission rates. Advisor's Compliance Department approves and signs off on soft dollar arrangements annually and creates a master brokerage allocation budget with the trader (including third-party soft dollar arrangements). Monthly reports are compiled to document soft dollar activities.

Examples of research services purchased are: written market publications for investment professionals dealing generally with market information, asset allocation, and information relating to selected specific companies and securities; a database of fundamental data on over 7,000 securities, and Bloomberg which provides real-time and historic data, news, analytics, pricing, trading and communication tools. An example of one product used on a mixed use basis is Advisor's portfolio accounting/analysis system. This product is used for analyzing portfolios, managing portfolios and viewing portfolios versus models as well as benchmarks which allow the firm to classify this as a research tool.

#### **Block Trades**

Advisor generally implements transactions for client accounts independently, unless it decides to purchase or sell the same securities for several clients at approximately the same time. This process is referred to as aggregating orders, batch trading or block trading and is used when Advisor believes such action may prove advantageous to clients.

Advisor aggregate transactions only if it believes that aggregation is in the best interests of the applicable clients, is consistent with its duty to seek best execution for its clients, and is consistent with the terms of its investment advisory agreement with each client for whom transactions are being aggregated. Nevertheless, the system employed by Advisor may have a detrimental effect on the price or value of the security as far as each client is concerned. In other cases, however, the ability of the clients to participate in volume transactions will produce better execution prices.

When Advisor determines to aggregate client orders for the purchase or sale of securities, including securities in which it's associated persons may invest, Advisor does so in accordance with the parameters set forth in the SEC No-Action Letter, *SMC Capital, Inc.* Advisor does not receive any additional compensation or remuneration as a result of aggregating or blocking trades.

## **Item 13 – Review of Accounts**

### **Account Reviews**

Portfolio management and trading services are conducted continuously. All account types receive the benefit of at least weekly review by the members of the portfolio management teams, except where cash flows in or out of a portfolio which exceed \$10,000 are reviewed daily. Members of the portfolio management teams are in constant communications with various markets and acts to make appropriate adjustments to portfolios as situations arise. External events, economic or market related could also trigger account review to ascertain if any adjustments are warranted. Additionally, account reviews are conducted whenever changes occur within investment strategies or at a client's request or a significant change in the client's circumstances.

Account reviews are performed by Advisor's portfolio managers and each manager is responsible for reviewing their own accounts. Absent specific client instruction, accounts are reviewed relative to asset allocations in the client's portfolio(s), accuracy of portfolio holdings, continuing suitability of investment products and to check that account performance is still working toward the client's goals and objectives.

### **Account Reports**

Clients receive an account statement at least quarterly from the custodian maintaining their account. In addition, Advisor sends a review letter and formal appraisal of the client's portfolio at least quarterly. The review letter covers investment performance and recent economic and market trends and their impact on the client's portfolio. The appraisal includes a percentage breakdown as to stocks, bonds and cash and further classifies stocks into their economic sectors and bonds into type. Clients should compare the account statements they receive from the custodian with review letter and appraisal they receive from their custodian and report any differences to your Advisor representative.

In the case of wrap programs or where Advisor acts as a sub-advisor to another registered investment advisor's clients, the reporting is provided by that sponsor or to the other registered investment advisor.

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

### **Client Referrals**

The Advisor currently has and may enter into other agreements with solicitors to refer clients to the Advisor for compensation, which are generally cash payments. This presents a potential conflict of interest since a solicitor has an incentive to recommend the Advisor as a result of the Advisor's compensation. The Advisor mitigates this risk by requiring each solicitor to provide the prospective client with a copy of this document (The Advisor's Disclosure Brochure) and a separate disclosure statement that includes the following information:

- The solicitor's name and relationship with the Advisor's firm;
- The fact that the solicitor is being paid a referral fee;
- The amount of the fee,
- The fee paid to solicitor is a portion of the investment management fees that is paid to the Advisor for investment management services, and is the same as the client would otherwise pay if a solicitor was not involved. The client's fee is not increased due to a solicitor's involvement; and
- The client must acknowledge in writing this arrangement.

If a referred client enters into an investment advisory agreement with Advisor, a cash referral fee is paid to the solicitor that is based upon a percentage of client advisory fees that are generated. This referral

relationship will not result in clients being charged any fees over and above the normal advisory fees charged for the advisory services provided. The referral agreements between Advisor and the solicitors are in compliance with regulations as set out in 17 CFR §275.206(4)-3, the Rules under the *Investment Advisers Act of 1940*, and the rules set forth by the respective state jurisdictions.

### **Other Compensation**

For additional discussion on other compensation received by Advisor, its owners or its representatives, please refer to **Item 5, Fees and Compensation** and **Item 10, Other Financial Industry Activities and Affiliations**. Please see **Item 12, Brokerage Practices**, for discussion about the services and products Advisor may receive from custodians of client accounts.

### **Item 15 – Custody**

Custody, as it applies to investment advisors, has been defined as having access or control over client funds and/or securities, but does **not** include the ability to execute transactions in client accounts. Custody is not limited to physically holding client funds and securities. If an investment advisor has the ability to access or control client funds or securities, the investment advisor is deemed to have custody for purposes of the *Investment Advisers Act of 1940* and must ensure proper procedures are implemented. Please note that regulators have deemed the authorization to trade in client accounts to not be custody. However, we are deemed to have custody of client funds and securities whenever we are given the authority to have fees deducted directly from client accounts. Our procedures do **not** result in our maintaining custody of client funds and securities.

For accounts where we are deemed to have custody, we have established procedures to ensure all client funds and securities are held at a qualified custodian in a separate account for each client under that client's name. Clients or an independent representative of the client will direct, in writing, the creation of all accounts and therefore are aware of the qualified custodian's name, address and the manner in which the funds or securities are maintained.

Finally, account statements are delivered directly from the qualified custodian to each client, or the client's independent representative, at least quarterly. Clients should carefully review those statements and are urged to compare the statements against reports received from us. When clients have questions about their account statements, they should contact us or the qualified custodian preparing the statement.

In the instances where the Advisor is the sub-advisor in a third-party wrap program, the Advisor relies on the sponsor of the third-party wrap program to provide custodian account statements to those separately managed account clients since the sponsor serves as the adviser to those clients and maintains the relationship with those clients.

### **Item 16 – Investment Discretion**

Asset management services are provided on both a discretionary and non-discretionary basis. On a discretionary basis, the Advisor makes all decisions to buy, sell or hold securities, cash or other investments in the managed account in its sole discretion without consulting with the client before implementing any transactions. Clients must provide Advisor with written authorization to exercise this discretionary authority. Clients can impose reasonable restrictions on management of their accounts.

When discretionary authority is granted, it is limited. Advisor does not have access to client funds and/or securities with the exception of having advisory fees deducted from the client's account and paid to Advisor by the account custodian. Any fee deduction is done pursuant to the client's prior written authorization provided to the account custodian.

If management services are provided on a non-discretionary basis, the Advisor always contacts the client before implementing any transactions in an account. Clients must accept or reject Advisor's investment recommendations, including (1) the security being recommended, (2) the number of shares or units and (3) whether to buy or sell. Once these factors are agreed upon, Advisor is responsible for making decisions regarding the timing of the purchase or sale and the price at which it is bought or sold. Clients should know

that if they are not able to be reached or are slow to respond to Advisor's request, it can have an adverse impact on the timing of implementing trades and Advisor may not achieve the optimal trading price.

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

It is the Advisor's policy to vote proxies on behalf of clients. Advisor recognizes its responsibility as fiduciary of its clients' portfolios. As fiduciary, it is Advisor's policy to act solely in the best interests of clients and their beneficiaries. For these purposes, the Advisor has engaged Broadridge Financial Solutions, Inc. ("Broadridge") to handle proxy solicitations. If a client chooses to vote their own proxies, they would notify the Advisor in writing. Advisor complies with SEC Rule 206(4)-6 relative to proxy voting policies and procedures and has taken several steps to ensure that it is acting in clients' best interests and pursuant to regulatory requirements:

Clients may request documentation on how specific proxies were voted on their behalf at any time from Lisa Najdowski at (770) 859-0045.

### **Item 18 – Financial Information**

Advisor does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. Therefore, Advisor is not required to include a balance sheet for its most recent fiscal year. Advisor is not subject to a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. Finally, Advisor has not been the subject of a bankruptcy petition at any time.