

# Disclosure Brochure

March 30, 2015



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This brochure provides information about the qualifications and business practices of CRA Financial Services, L.L.C. (hereinafter "CRA"). If you have any questions about the contents of this brochure, please contact Jennifer Colon at (609) 641-4000. 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 CRA is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

CRA is an SEC registered investment adviser. Registration does not imply any level of skill or training.

## **Item 2. Material Changes**

This Item discusses only the material changes that have occurred since CRA's last annual update dated March 20, 2014. CRA does not have any material changes to disclose in this Item.

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## Item 4. Advisory Business

Since September 2000, CRA has been in business as a comprehensive wealth management firm focused on fee-based asset management built on a foundation of solid financial planning. CRA is committed to providing value-added, wealth-enhancing services to its clients in a cost-effective manner that remains consistent with its philosophy that putting clients' best interest first is CRA's first priority. CRA provides financial planning, consulting, and investment management services. CRA's principal owners are Thomas E. Reynolds and Matthew J. Reynolds.

As of December 31, 2014, CRA has \$384,096,331 of assets under management, \$10,423,521 of which was managed on a discretionary basis and \$373,672,810 of which was managed on a non-discretionary basis.

Prior to engaging CRA to provide any of the foregoing investment advisory services, the client is required to enter into one or more written agreements with CRA setting forth the terms and conditions under which CRA renders its services (collectively the "*Agreement*").

This Disclosure Brochure describes the business of CRA. Certain sections will also describe the activities of *Supervised Persons*. *Supervised Persons* are any of CRA's officers, partners, directors (or other persons occupying a similar status or performing similar functions), or employees, or any other person who provides investment advice on CRA's behalf and is subject to CRA's supervision or control.

### **Financial Planning and Consulting Services**

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CRA may provide its clients with a broad range of comprehensive financial planning and consulting services. These services include investment, retirement, tax, estate, education, and insurance planning.

In performing its services, CRA is not required to verify any information received from the client or from the client's other professionals (e.g., attorney, accountant, etc.) and is expressly authorized to rely on such information. CRA may recommend the services of itself and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists if CRA recommends its own services. The client is under no obligation to act upon any of the recommendations made by CRA under a financial planning or consulting engagement or to engage the services of any such recommended professional, including CRA itself. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any of CRA's recommendations. Clients are advised that it remains their responsibility to promptly notify CRA if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating, or revising CRA's previous recommendations and/or services.

## Investment Management Services

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Clients can engage CRA to manage all or a portion of their assets on a discretionary or non-discretionary basis.

CRA primarily allocates clients' investment management assets among *Independent Managers* (as defined below), mutual funds, exchange-traded funds ("ETFs"), individual debt and equity securities and/or options as well as the securities components of variable annuities in accordance with the investment objectives of the client. CRA may also provide advice about any type of investment held in clients' portfolios.

CRA also may render non-discretionary investment management services to clients relative to variable annuity products that they may own, their individual employer-sponsored retirement plans, and/or 529 plans or other products that may not be held by the client's primary custodian. In so doing, CRA either directs or recommends the allocation of client assets among the various investment options that are available with the product. Client assets are maintained at the specific insurance company or custodian designated by the product.

CRA tailors its advisory services to the individual needs of clients. CRA consults with clients initially and on an ongoing basis to determine risk tolerance, time horizon and other factors that may impact the clients' investment needs. CRA ensures that clients' investments are suitable for their investment needs, goals, objectives and risk tolerance.

Clients are advised to promptly notify CRA if there are changes in their financial situation or investment objectives or if they wish to impose any reasonable restrictions upon CRA's management services. Clients may impose reasonable restrictions or mandates on the management of their account (e.g., require that a portion of their assets be invested in socially responsible funds) if, in CRA's sole discretion, the conditions will not materially impact the performance of a portfolio strategy or prove overly burdensome to its management efforts.

## Use of Independent Managers

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As mentioned above, CRA recommends that certain clients authorize the active management of a portion of their assets by and/or among certain independent investment managers ("*Independent Managers*"), based upon the stated investment objectives of the client. The terms and conditions under which the client engages the *Independent Managers* are set forth in a separate written agreement between CRA or the client and the designated *Independent Managers*. CRA renders services to the client relative to the discretionary selection or recommendation of *Independent Managers*. CRA also monitors and reviews the account performance and the client's investment objectives. CRA receives an annual advisory fee which is based upon a percentage of the market value of the assets being managed by the designated *Independent Managers*.

When selecting or recommending an *Independent Manager* for a client, CRA reviews information about the *Independent Manager* such as its disclosure brochure and/or material supplied by the *Independent Manager* or independent third parties for a description of the *Independent Manager's* investment strategies, past performance and risk results to the extent available. Factors that CRA considers in selecting or recommending an *Independent Manager* include the client's stated investment objectives, management style, performance, reputation, financial strength, reporting, pricing, and research. The investment management fees charged by the designated *Independent Managers*, together with the fees charged by the corresponding designated broker-dealer/custodian of the client's assets, may be exclusive of, and in addition to, CRA's investment advisory fee set forth above. As discussed above, the client may incur additional fees than those charged by CRA, the designated *Independent Managers*, and corresponding broker-dealer and custodian.

In addition to CRA's written disclosure brochure, the client also receives the written disclosure brochure of the designated *Independent Managers*. Certain *Independent Managers* may impose more restrictive account requirements and varying billing practices than CRA. In such instances, CRA may alter its corresponding account requirements and/or billing practices to accommodate those of the *Independent Managers*.

## Item 5. Fees and Compensation

CRA offers its services on a fee basis, which may include hourly and/or fixed fees, as well as fees based upon assets under management. Additionally, certain of CRA's *Supervised Persons*, in their individual capacities, may offer insurance products under a commission arrangement.

### Financial Planning and Consulting Fees

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CRA may charge a fixed fee and/or hourly fee for financial planning and consulting services. These fees are negotiable, but generally range from \$1,000 to \$5,000 on a fixed fee basis and/or \$260 on an hourly rate basis, depending upon the level and scope of the services and the professional rendering the financial planning and/or the consulting services. If the client engages CRA for additional investment advisory services, CRA may offset all or a portion of its fees for those services based upon the amount paid for the financial planning and/or consulting services.

Prior to engaging CRA to provide financial planning and/or consulting services, the client is required to enter into a written agreement with CRA setting forth the terms and conditions of the engagement. Generally, CRA requires one-half of the financial planning / consulting fee (estimated hourly or fixed) payable upon entering the written agreement. The balance is generally due upon delivery of the financial plan or completion of the agreed upon services.

### Investment Management Fee

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CRA provides investment management services for an annual fee based upon a percentage of the market value of the assets being managed by CRA. CRA's annual fee is exclusive of, and in addition to brokerage commissions, transaction fees, and other related costs and expenses which are incurred by the client. CRA does not, however, receive any portion of these commissions, fees, and costs.

CRA's annual fee is prorated and charged quarterly, in advance, based upon the market value of the assets being managed by CRA on the last day of the previous quarter. The annual fee varies (between 0.75% and 2.00%) depending upon the market value of the assets under management and the type of investment management services to be rendered.

CRA, in its sole discretion, may negotiate to charge a lesser management fee based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, *pro bono* activities, etc.).

## **Fees Charged by Financial Institutions**

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As further discussed in response to Item 12 (below), CRA generally recommends that clients utilize the brokerage and clearing services of Fidelity Institutional Wealth Services (“*Fidelity*”) or Charles Schwab & Co., Inc. (“*Schwab*”) for investment management accounts.

CRA may only implement its investment management recommendations after the client has arranged for and furnished CRA with all information and authorization regarding accounts with appropriate financial institutions. Financial institutions include, but are not limited to, *Fidelity*, *Schwab*, any other broker-dealer recommended by CRA, broker-dealer directed by the client, trust companies, banks etc. (collectively referred to herein as the “*Financial Institutions*”).

Clients may incur certain charges imposed by the *Financial Institutions* and other third parties such as fees charged by *Independent Managers*, custodial fees, charges imposed directly by a mutual fund or ETF in the account, which are disclosed in the fund’s prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Additionally, clients may incur brokerage commissions and transaction fees. Such charges, fees and commissions are exclusive of and in addition to CRA’s fee.

CRA’s *Agreement* and the separate agreement with any *Financial Institutions* may authorize CRA or *Independent Managers* to debit the client’s account for the amount of CRA’s fee and to directly remit that management fee to CRA or the *Independent Managers*. Any *Financial Institutions* recommended by CRA have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to CRA. Alternatively, clients may elect to have CRA send an invoice for payment.

## **Fees for Management During Partial Quarters of Service**

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For the initial period of investment management services, the fees are calculated on a *pro rata* basis.

The *Agreement* between CRA and the client will continue in effect until terminated by either party pursuant to the terms of the *Agreement*. CRA’s fees are prorated through the date of termination and any remaining balance is charged or refunded to the client, as appropriate.

Clients may make additions to and withdrawals from their account at any time, subject to CRA’s right to terminate an account. Additions may be in cash or securities provided that CRA reserves the right to liquidate any transferred securities or decline to accept particular securities into a client’s account. Clients may withdraw account assets on notice to CRA, subject to the usual and customary securities settlement procedures. However, CRA designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client’s investment objectives. CRA may consult with its clients about the options and ramifications of transferring securities. However, clients are advised that



when transferred securities are liquidated, they are subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications.

If assets are deposited into or withdrawn from an account after the inception of a quarter, the fee payable with respect to such assets will not be adjusted or prorated based on the number of days remaining in the quarter.

## **Item 6. Performance-Based Fees and Side-by-Side Management**

CRA does not provide any services for performance-based fees. Performance-based fees are those based on a share of capital gains on or capital appreciation of the assets of a client.

## Item 7. Types of Clients

CRA provides its services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations and business entities.

### **Minimum Account Size and Minimum Fee**

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As a condition for starting and maintaining a relationship, CRA generally imposes a minimum portfolio size of \$250,000. CRA, in its sole discretion, may accept clients with smaller portfolios based upon certain criteria including anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, and *pro bono* activities.

CRA only accepts clients with less than the minimum portfolio size if, in the sole opinion of CRA, the smaller portfolio size will not cause a substantial increase of investment risk beyond the client's identified risk tolerance. CRA may aggregate the portfolios of family members to meet the minimum portfolio size.

Additionally, certain *Independent Managers* may impose more restrictive account requirements and varying billing practices than CRA. In such instances, CRA may alter its corresponding account requirements and/or billing practices to accommodate those of the *Independent Managers*.

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

### Methods of Analysis

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CRA's primary method of analysis is based on Modern Portfolio Theory.

*Modern Portfolio Theory* is a theory on how risk-averse investors can construct portfolios to optimize or maximize expected return based on a given level of market risk, emphasizing that risk is an inherent part of higher reward. Modern Portfolio Theory seeks to construct an optimal portfolio by considering the relationship between risk and return, especially as measured by alpha, beta, and R-squared.

### Investment Strategies

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CRA attempts to maximize portfolio expected return for a given amount of portfolio risk. To do so, CRA primarily utilizes mutual funds, ETFs, and cash equivalents, but may occasionally incorporate individual equities and fixed income securities. For equities, CRA allocates internationally (including both developed and emerging markets), and domestically (including large, mid, and small cap stocks). For fixed income, CRA allocates to U.S. government and corporate bonds, international bonds, inflation-protected bonds, floating rate and high-yield bonds, municipal bonds, and mortgage-backed securities. When using alternative investments in a portfolio, CRA allocates to commodity and real estate classes of securities, as well as market neutral and long/short funds.

### Risks of Loss

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#### *Mutual Funds and ETFs*

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at

least once daily for indexed-based ETFs and more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 50,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

#### *Market Risks*

The profitability of a significant portion of CRA's recommendations may depend to a great extent upon correctly assessing the future course of price movements of stocks and bonds. There can be no assurance that CRA will be able to predict those price movements accurately.

#### *Use of Independent Managers*

CRA may recommend the use of *Independent Managers* for certain clients. CRA will continue to do ongoing due diligence of such managers, but such recommendations rely, to a great extent, on the *Independent Managers* ability to successfully implement their investment strategy. In addition, CRA does not have the ability to supervise the *Independent Managers* on a day-to-day basis other than as previously described in response to Item 4, above.

#### *General Risk of Loss*

Investing in securities involves the risk of loss. Clients should be prepared to bear such loss.

## **Item 9. Disciplinary Information**

CRA is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management. CRA does not have any required disclosures to this Item.

## Item 10. Other Financial Industry Activities and Affiliations

CRA is required to disclose any relationship or arrangement that is material to its advisory business or to its clients with certain related persons. CRA has described such relationships and arrangements below.

### Registration as Insurance Agency

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CRA is a duly licensed insurance agency. Additionally, certain of CRA's *Supervised Persons*, in their individual capacities, are licensed insurance agents with various insurance companies, and in such capacity, may recommend, on a fully-disclosed basis, the purchase of certain insurance products. A conflict of interest exists to the extent that CRA or its *Supervised Persons* recommend the purchase of insurance products where CRA or its *Supervised Persons* receive insurance commissions or other additional compensation.

### Referrals to Related Certified Public Accountants

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CRA does not render accounting advice or tax preparation services to its clients. Rather, to the extent that a client requires accounting advice and/or tax preparation services, CRA, if requested, will recommend the services of a Certified Public Accountant, all of which services are rendered independent of CRA pursuant to a separate agreement between the client and the Certified Public Accountant. CRA does not receive any of the fees charged by any recommended Certified Public Accountant, referral or otherwise. Specifically, certain of the individual members of CRA, are also principals of Capaldi, Reynolds & Pelosi, P.A. ("*CRP*"), a Certified Public Accounting firm. To the extent that *CRP* provides accounting and/or tax preparation services to any of CRA's clients, all such services are performed by *CRP*, in its separate capacity, independent of CRA, for which services CRA does not receive any portion of the fees charged by *CRP*, referral or otherwise. Although CRA does not receive referral fees from *CRP*, certain individuals associated with *CRP* are entitled to receive compensation relative to their respective ownership interests in *CRP*.

It is also expected that individuals associated with *CRP*, including certain members of CRA, will recommend CRA's services to certain of *CRP*'s clients. Although *CRP* does not receive referral fees from CRA, certain individuals may receive referral fees (as disclosed in Item 14).

### Related Director of a Public Company

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One of the firm's Managing Members, Matthew J. Reynolds, serves as a member of the Board of Directors of Cape Bancorp., Inc., which serves as the publicly-owned holding company for Cape Bank (collectively "*Cape Bank*"), an FDIC insured banking institution headquartered in Cape May Court House, New Jersey. As a member of the Board, he is charged with governing *Cape Bank*'s internal affairs and business operations on behalf of the corporation and its shareholders. A conflict of interest exists to the extent the interests of *Cape Bank* fall at odds with the interests of CRA's clients. Additionally, Mr. Reynolds may be privy to certain material non-public information that he is legally prohibited from utilizing

or disseminating, which could prove disadvantageous to the firm's clients. CRA has procedures in place whereby it seeks to ensure that all such conflicts are handled in the best interests of its advisory clients.



## Item 11. Code of Ethics

CRA and persons associated with CRA ("Associated Persons") are permitted to buy or sell securities that it also recommends to clients consistent with CRA's policies and procedures.

CRA has adopted a code of ethics that sets forth the standards of conduct expected of its associated persons and requires compliance with applicable securities laws ("*Code of Ethics*"). In accordance with Section 204A of the Investment Advisers Act of 1940 (the "Advisers Act"), its *Code of Ethics* contains written policies reasonably designed to prevent the unlawful use of material non-public information by CRA or any of its associated persons. The *Code of Ethics* also requires that certain of CRA's personnel (called "*Access Persons*") report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings.

Unless specifically permitted in CRA's *Code of Ethics*, none of CRA's *Access Persons* may effect for themselves or for their immediate family (i.e., spouse, minor children, and adults living in the same household as the *Access Person*) any transactions in a security which is being actively purchased or sold, or is being considered for purchase or sale, on behalf of any of CRA's clients.

When CRA is purchasing or considering for purchase any security on behalf of a client, no *Access Person* may effect a transaction in that security prior to the completion of the purchase or until a decision has been made not to purchase such security. Similarly, when CRA is selling or considering the sale of any security on behalf of a client, no *Access Person* may effect a transaction in that security prior to the completion of the sale or until a decision has been made not to sell such security. These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

Clients and prospective clients may contact CRA to request a copy of its *Code of Ethics*.

## Item 12. Brokerage Practices

As discussed above, in Item 5, CRA generally recommends that clients utilize the brokerage and clearing services of *Fidelity* and/or *Schwab*.

Factors which CRA considers in recommending *Fidelity*, *Schwab*, or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. *Fidelity* and *Schwab* enable CRA to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by *Fidelity* and/or *Schwab* may be higher or lower than those charged by other *Financial Institutions*.

The commissions paid by CRA's clients comply with CRA's duty to obtain "best execution." Clients may pay commissions that are higher than another qualified *Financial Institution* might charge to effect the same transaction where CRA determines that the commissions are reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a *Financial Institution's* services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. CRA seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

CRA periodically and systematically reviews its policies and procedures regarding its recommendation of *Financial Institutions* in light of its duty to obtain best execution.

The client may direct CRA in writing to use a particular *Financial Institution* to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that *Financial Institution*, and CRA will not seek better execution services or prices from other *Financial Institutions* or be able to "batch" client transactions for execution through other *Financial Institutions* with orders for other accounts managed by CRA (as described below). As a result, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, CRA may decline a client's request to direct brokerage if, in CRA's sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

Transactions for each client generally will be effected independently, unless CRA decides to purchase or sell the same securities for several clients at approximately the same time. CRA may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among CRA's clients differences in prices and commissions or other transaction costs that might not have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among CRA's clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that CRA determines to aggregate client orders for the purchase or sale of securities, including securities in which CRA's *Supervised Persons* may invest, CRA generally does so in accordance with applicable rules

promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. CRA does not receive any additional compensation or remuneration as a result of the aggregation. In the event that CRA determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a *de minimis* allocation in one or more accounts, CRA may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker-dealers in return for investment research products and/or services which assist CRA in its investment decision-making process. Such research generally will be used to service all of CRA's clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because CRA does not have to produce or pay for the products or services.

#### **Software and Support Provided by Financial Institutions**

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CRA may receive from *Fidelity* and *Schwab*, without cost to CRA, computer software and related systems support, which allow CRA to better monitor client accounts maintained at *Fidelity* and *Schwab*. CRA may receive the software and related support without cost because CRA renders investment management services to clients that maintain assets at *Fidelity* and *Schwab*. The software and related systems support may benefit CRA, but not its clients directly. In fulfilling its duties to its clients, CRA endeavors at all times to put the interests of its clients first. Clients should be aware, however, that CRA's receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits may influence CRA's choice of broker-dealer over another broker-dealer that does not furnish similar software, systems support, or services.

Additionally, CRA may receive the following benefits from *Fidelity* through the Fidelity Institutional Wealth Services Group and *Schwab* through its Schwab Institutional division: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services

Institutional Wealth Services Group and Schwab Institutional participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and access to an electronic communication network for client order entry and account information.

## Item 13. Review of Accounts

For those clients to whom CRA provides investment management services, CRA monitors those portfolios as part of an ongoing process while regular account reviews are conducted on at least a quarterly basis. For those clients to whom CRA provides financial planning and/or consulting services, reviews are conducted on an “as needed” basis. Such reviews are conducted by either the Principals of CRA, Thomas E. Reynolds and Matthew J. Reynolds, or one of the advisors, Robert Martin or Frank Thomas. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with CRA and to keep CRA informed of any changes thereto. CRA contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client’s financial situation and/or investment objectives.

Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for the client accounts. Those clients to whom CRA provides investment advisory services will also receive a report from CRA that may include such relevant account and/or market-related information such as an inventory of account holdings and account performance on a quarterly basis. Clients should compare the account statements they receive from their custodian with those they receive from CRA.

Those clients to whom CRA provides financial planning and/or consulting services will receive reports from CRA summarizing its analysis and conclusions as requested by the client or as otherwise agreed to in writing by CRA.

## Item 14. Client Referrals and Other Compensation

CRA is required to disclose any relationship or arrangement where it receives an economic benefit from a third party (non-client) for providing advisory services. In addition, CRA is required to disclose any direct or indirect compensation that it provides for client referrals.

CRA may receive economic benefits from non-clients for providing advice or other advisory services to clients. This type of relationship poses a conflict of interest and any such relationship is disclosed in response to Item 12, above.

If a client is introduced to CRA by either an unaffiliated or an affiliated solicitor, CRA may pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Advisers Act and any corresponding state securities law requirements. Any such referral fee is paid solely from CRA's investment management fee, and does not result in any additional charge to the client. If the client is introduced to CRA by an unaffiliated solicitor, the solicitor provides the client with a copy of CRA's written disclosure brochure which meets the requirements of Rule 204-3 of the Advisers Act and a copy of the solicitor's disclosure statement containing the terms and conditions of the solicitation arrangement including compensation. Any affiliated solicitor of CRA discloses the nature of his/her relationship to prospective clients at the time of the solicitation and will provide all prospective clients with a copy of CRA's written disclosure brochure at the time of the solicitation.

## Item 15. Custody

CRA's *Agreement* and/or the separate agreement with any *Financial Institution* may authorize CRA through such *Financial Institution* to debit the client's account for the amount of CRA's fee and to directly remit that management fee to CRA in accordance with applicable custody rules.

The *Financial Institutions* recommended by CRA have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to CRA. In addition, as discussed in Item 13, CRA also sends periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the *Financial Institutions* and compare them to those received from CRA.

## Item 16. Investment Discretion

CRA may be given the authority to exercise discretion on behalf of clients. CRA is considered to exercise investment discretion over a client's account if it can effect transactions for the client without first having to seek the client's consent. CRA is given this authority through a power-of-attorney included in the agreement between CRA and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). CRA takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold;
- When transactions are made; and
- The *Independent Managers* to be hired or fired.



## Item 17. Voting Client Securities

CRA may vote client securities (proxies) on behalf of its clients. When CRA accepts such responsibility, it will only cast proxy votes in a manner consistent with the best interest of its clients. Absent special circumstances, which are fully- described in CRA's Proxy Voting Policies and Procedures, all proxies will be voted consistent with guidelines established and described in CRA's Proxy Voting Policies and Procedures, as they may be amended from time-to-time. Clients may contact CRA to request information about how CRA voted proxies for that client's securities or to get a copy of CRA's Proxy Voting Policies and Procedures. A brief summary of CRA's Proxy Voting Policies and Procedures is as follows:

- CRA has formed a Proxy Voting Committee that will be responsible for monitoring corporate actions, making voting decisions in the best interest of clients, and ensuring that proxies are submitted in a timely manner.
- The Proxy Voting Committee will generally vote proxies according to CRA's then current Proxy Voting Guidelines. The Proxy Voting Guidelines include many specific examples of voting decisions for the types of proposals that are most frequently presented, including: composition of the board of directors; approval of independent auditors; management and director compensation; anti-takeover mechanisms and related issues; changes to capital structure; corporate and social policy issues; and issues involving mutual funds.
- Although the Proxy Voting Guidelines are followed as a general policy, certain issues are considered on a case-by-case basis based on the relevant facts and circumstances. Since corporate governance issues are diverse and continually evolving, CRA devotes an appropriate amount of time and resources to monitor these changes.
- Clients cannot direct CRA's vote on a particular solicitation but can revoke CRA's authority to vote proxies.

In situations where there may be a conflict of interest in the voting of proxies due to business or personal relationships that CRA maintains with persons having an interest in the outcome of certain votes, CRA takes appropriate steps to ensure that its proxy voting decisions are made in the best interest of its clients and are not the product of such conflict.

## **Item 18. Financial Information**

CRA does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance. In addition, CRA is required to disclose any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. CRA has no disclosures pursuant to this Item.



Prepared by:

