

# Part 2A of Form ADV: Firm *Brochure*

## Item 1: Cover Page

### A. Contact Information

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### B. Purpose of Brochure

This brochure provides information about the qualifications and business practices of Townsend Asset Management Corp. (hereinafter also referred to as “we”, or “us”). If you have any questions about the contents of this brochure, please contact us at (919) 782-9689 or [Gerald@AssetMgr.com](mailto:Gerald@AssetMgr.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Townsend Asset Management Corp. also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

### C. Registration

Townsend Asset Management Corp. is registered with the Securities & Exchange Commission (SEC) as an investment advisor. Registration with the SEC and/or a state regulatory authority is a required procedure for any individual or entity providing investment advice, but does not imply a certain level of skill or training.

## Item 2: Material Changes

There are no material changes in this brochure from our last annual update.

## Item 3: Table of Contents

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## Item 4: Advisory Business

### A. Firm Background

Townsend Asset Management Corp was established in 1982 and is owned by Gerald and Katrina Townsend. It is registered with the SEC as an investment advisor. We are an independent firm and are not affiliated with any other entity.

### B. Advisory Services

Our services include:

#### a. Investment Management

Ongoing management of your investment portfolios, based on your goals and needs.

We follow a disciplined process comprised of the following steps:

- i. *Goal Setting* - Understanding your personal and financial goals
- ii. *Resources* – Reviewing your assets, income and other financial resources
- iii. *Constraints* – Identifying Items affecting management
  1. Your time frame for investing
  2. Your need for liquidity or marketability of your investments
  3. Tax or legal considerations
  4. Your income requirements
  5. Your diversification needs
  6. Your age, health or other personal matters
- iv. *Economic Considerations* – Developing a domestic and international economic outlook, as well as a viewpoint on government monetary and fiscal policy.
- v. *Investment Policy* – Developing an overall policy regarding your investments that serves as a guide to the management of their portfolio.
- vi. *Asset Allocation* – Spreading your investments among different classes of assets, such as: cash equivalents; short, intermediate or long-bonds; small or large capitalization stocks; foreign stocks or bonds; mutual funds; etc.
- vii. *Security Selection* – Determining and acquiring your specific investments
- viii. *Performance Reporting* – In addition to statements provided by the custodian or brokerage firm, we provide quarterly performance and asset allocation reports.
- ix. *Ongoing Management* - Monitoring your portfolio and making changes when necessary. This also involves meetings or other communication regarding your investments or changes in your goals or resources.

b. **Financial Planning**

Financial planning covers some or all of the following:

- i. Personal and family goals and life issues
- ii. Budgeting and cash flow management
- iii. Income tax planning
- iv. Risk management and insurance needs analysis
- v. Retirement planning and strategies for funding and withdrawal
- vi. Employee benefits review
- vii. College education funding strategies
- viii. Business analysis and planning
- ix. Asset protection planning
- x. Asset allocation and investment advice
- xi. Estate conservation and distribution strategies

c. **Tax Preparation and Planning**

We prepare federal and state income or other tax returns for individuals, businesses and other entities.

d. **Consulting**

We consult with clients on a broad range of financial, tax, retirement, estate and investment matters.

e. **Wealth Management**

This is a term we use to describe a comprehensive service that includes our Investment Management, Financial Planning, Tax Preparation and Consulting services, under a single fee arrangement.

## C. **Services Based on Client Needs**

Our services are tailored to your individual needs. In our initial meetings we gather personal and financial information and discuss your short and long term goals, preferences or restrictions, as well as what services you need and what your expectations are in a client-advisor relationship. From this, we jointly determine the services that would be most beneficial to you and how to best structure the delivery of those services.

For example: You may impose a restriction against investing in a certain security or a particular type of security and we would avoid that security or types of securities. Conversely, you may indicate a preference for including certain securities or types of securities in your portfolio.

## D. Wrap Fee Programs

We do not participate in any wrap fee programs.

## E. Assets Managed

We can manage accounts on either a “discretionary” or a “nondiscretionary” basis, although normally it is on a discretionary basis.

When managing on a discretionary basis, we may determine, without obtaining your specific consent, the particular securities and the amounts to be bought or sold. Understandably, this may raise concerns. However, discretionary management is useful for an advisor, due to the time needed if prior approval is required before implementing each transaction in your account. In addition, we manage your portfolio in accordance with your expressed goals and the investment policy mutually agreed upon. Finally, through a custodian’s confirmations and statements, our own reporting, and other forms of communication, you are always kept apprised of transactions within your accounts.

As of 03/20/2017, the assets we manage are as follows:

Managed on a discretionary basis	\$ 177,000,000
Managed on a nondiscretionary basis	<u>7,000,000</u>
Total assets managed	\$ 184,000,000

## Item 5: Fees and Compensation

### A. Fee Schedule and Method

#### a. Consulting, Tax Preparation and/or Financial Planning

Fees for services such as consulting, tax preparation and/or financial planning may be determined as follows:

- i. Hourly Rates – these rates vary depending on the staff member(s) rendering the service the service and the service provided. Hourly rates normally range from \$250-\$500.
- ii. Flat Fee – A flat or project fee may be quoted.
- iii. Retainer Fees – A retainer fee may be charged for services of an ongoing nature.

#### b. Investment Management

Investment management services are normally billed based on a percentage of the value of the assets being managed. Annual Investment management fees typically range

from 0.50% to 1.25% and this percentage may decrease as the value of the assets being managed increases.

**c. Wealth Management**

Fees for wealth management services are individually quoted for each client, and are influenced by the value of the assets being managed, a client's overall assets and net worth, and the complexity of their financial situation.

**d. Fee Variances**

We always strive to for our fees to be fair, reasonable and to fit a client's situation, circumstances, and needs. Therefore, fees may be negotiated, depending on the nature of the services being provided, types of investments being used, style and frequency of trading, or other factors.

**B. Fee Billing**

Fees for hourly services are normally billed upon the completion of the service.

Flat fees that are charged for one-time engagements are also customarily billed at the completion of the service, although an up-front payment of part of the fee may be required.

Fees for investment management, wealth management, or ongoing fees charged under a retainer arrangement are normally billed on a quarterly basis, in advance. Normally our fees are deducted from your investment account, although you may choose to be billed instead.

**C. Other Fees or Expenses**

In addition to fees we charge, you may also incur other fees or expenses. The custodian or brokerage firm holding your account may charge custodial fees. Brokerage fees or other transaction costs may be incurred when buying or selling securities. While we normally only use mutual funds that do not have any sales charges, all mutual funds have internal expense costs and some may charge redemption fees if a fund is sold too soon after purchase. We make every effort to minimize these other fees or expenses. Refer to Item 12 in our brochure for further information on our brokerage practices.

**D. Refunds of Fees**

Fees for investment management, wealth management or for retainer services are normally charged quarterly, in advance. For example: the fees for the quarter beginning January 1 and ending March 31 are billed during the month of January. If, for example, we are charging a 1% annual fee for investment management, we would be charging  $\frac{1}{4}$  of 1% (.25%) for the January –

March months. We would use your portfolio value as of December 31 to calculate the fee.

If you should terminate our management during a quarter, a partial refund of the fee that has been collected from you for that particular quarter will be made as follows:

Assuming Termination Occurs	Portion of Fee Refunded
During 1 <sup>st</sup> Month of Billing Quarter	2/3 Refund
During 2 <sup>nd</sup> Month of Billing Quarter	1/3 Refund
During 3 <sup>rd</sup> Month of Billing Quarter	No Refund

## E. Other Compensation

We are a registered investment advisor and the only compensation we receive for our services is the fees we charge our clients. We do not receive any commissions or other fees from other parties.

Individual advisors associated with a registered investment advisor and providing advice to clients of an advisor are referred to as “Investment Advisor Representatives” (IARs) and they receive a portion of our fee as compensation for their services. No IAR affiliated with us receives any commissions or fees from the sale of securities. However, an IAR may be individually licensed to provide non-securities products, such as insurance or annuities and, in that case, could receive compensation from the sale of these other financial products.

We recognize that any additional compensation received by an IAR presents a potential conflict of interest in the rendering of financial or investment advice, as it could give an IAR an incentive to recommend a product based on the compensation received, rather than on your needs. However, if the IAR believes a product fits your needs, you are made aware if additional compensation will be earned and can make your own decision to either purchase the product or not, or to acquire it from another provider.

## Item 6: Performance-Based Fees

Performance-based fees are based upon a share of the capital gains or appreciation in an account. We do not charge any performance-based fees as our investment management fees are strictly based on the value of your portfolio.

## Item 7: Types of Clients

Our clients include individuals, trusts, partnerships, corporations, and retirement plans.

We do not require any minimum account size, although we may require a minimum fee, depending on the value of the assets being managed.

## Item 8: Methods of Analysis, Investment Strategies & Risk of Loss

### A. Analysis & Strategies

#### a. Methods of Analysis

We use two primary analysis methods:

- i. **Fundamental Analysis** – Reviewing items such as a company’s balance sheet, income statement, financial ratios, etc.
- ii. **Technical Analysis** – Reviewing or charting historical pricing data and using measures such as moving averages, relative strength, consumer confidence, etc. to gauge the condition of a company or the markets.

#### b. Investment Strategies

Investment strategies we use include:

- i. **Asset Allocation** – Allocating assets among a number of different asset classes in order to reduce risk or take advantage of opportunities. An “asset class” is a way of categorizing investments with similar risk/reward attributes, such as: cash equivalents; short-term bonds; long-term bonds; foreign bonds; small capitalization stocks; large capitalization stocks; foreign stocks; emerging market stocks; etc.
- ii. **Diversification** – Utilizing a sufficient number of assets in order to adequately diversify a portfolio. For example: a portfolio of individual securities might contain 15-30 different stocks from a variety of industries.
- iii. **Long Term Purchases** – We normally purchase securities with the expectation of holding them for more than a year, as we are long-term oriented investors.
- iv. **Short Term Purchases** – Occasionally we may purchase securities that we expect to hold less than a year. These are securities that we may not want to be long-term owners of, but believe them to be attractively priced at the present time. In addition, even a security purchased for the long-term might be sold if we believe its future prospects have changed or that its current price exceeds what we view at its intrinsic value.
- v. **Trading** – We do not normally engage in the short-term trading of securities.



- vi. **Margin Transactions** – We do not normally utilize or recommend purchasing securities on margin.
- vii. **Options** – In limited cases, we may engage in option writing transactions, including covered options or spreading strategies.

## B. **Risks**

Every method of analysis or investment strategy involves risks. While we always consider the risks involved in investing, you must always be prepared to bear risks that are inherent when investing.

- a. **Fundamental analysis** seeks to determine an “intrinsic value” of a security, but securities often trade at values lower or higher than their intrinsic value, and can do so for extended periods of time.
- b. **Technical analysis** seeks to determine the future direction of a security, or index, or the market as a whole based on historical prices, relationships with other securities or indexes, or various sentiment or behavioral factors – but prior trends or relationships may not continue into the future or could change abruptly due to other factors.
- c. **Diversification** – Allocating assets and diversifying investments among various asset classes, economic sectors, industries, etc. is a way of reducing the risk and volatility of investments. However, while risk may be reduced, it is not eliminated.
- d. **Non-Diversifiable Risks** – There are some risks that are not eliminated by diversification, such as:
  - i. **Market Risk** – Whether you own 10 stocks or 1,000 stocks, you still bear the risk of what is happening in the overall market.
  - ii. **Interest Rate Risk** – As interest rates change, all investments are impacted, especially fixed income investments.
  - iii. **Purchasing Power Risk** – The risks of inflation and deflation affect all investments.
  - iv. **Exchange Rate Risk** – As exchange rates among currencies fluctuate, investments – especially foreign investments – are impacted.
  - v. **Reinvestment Risk** – With varying interest rates, you do not know at what rate you can reinvest the cash flow received from existing investments.
- e. **Investing and Trading** – We do not as a practice engage in the frequent trading of securities, as we believe it can negatively impact investment performance, particularly through increased brokerage and other transaction costs and taxes. We focus on long-term investing, but also recognize the necessity to regularly reevaluate and reconsider all investment holdings.

## C. Types of Securities

We use a variety of different types of securities, including:

- a. **Mutual Funds** – This includes open-end funds, closed-end funds, unit investment trusts, and exchange-traded funds. Advantages of funds include: diversification, ease of access to certain types of assets or strategies, and professional management. Disadvantages include the fees and expenses incurred.
- b. **Individual Stocks and Bonds** – With portfolios comprised of individual stocks and bonds, investors know exactly what they own. However, since these portfolios tend to have fewer underlying holdings than would a mutual fund portfolio, there can be greater risk or volatility.
- c. **Certificates of Deposit** – For short term purposes, we may own certificates of deposit, treasury bills, money market mutual funds or other similar investments.
- d. **Options** – In some situations, we may purchase or sell options on a security or an index, in an effort to either generate additional income (e.g. a “covered-call” option) or to reduce the risk of a portfolio (e.g. buying a “put” option). We do not use options to a great extent or for speculative purposes.
- e. **Alternative Investments** – To a limited degree, we may use investments that are sometimes referred to as “alternative investments,” as they are an alternative to normal stocks and bonds. A goal of some alternatives is to have an investment whose returns and volatility are not tied directly to the returns and volatility of the general market. There are many different types of products that are classified as alternatives. Alternatives can involve special risks, such as a lack of liquidity or the risk that other parties in a transaction will not perform as expected.

## Item 9: Disciplinary Information

There are no material legal or disciplinary events to report.

## Item 10: Other Financial Industry Activities and Affiliations

Townsend Asset Management Corp. is a registered investment advisor. We are not, and have no relation to, any broker/dealer, investment company, other investment advisor, futures commission merchant, commodity pool operator, commodity trading advisory, or any registered representative or associated person with any of the foregoing entities.

As discussed in Item 5 (E), individual “Investment Advisor Representatives” of our firm may also be licensed and affiliated with various insurance companies and provide insurance or annuity products.

## **Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

### **A. Code of Ethics**

As a registered investment advisor, we have a fiduciary duty to you and it is the obligation of our employees to uphold that fundamental duty. We seek to be a firm of integrity that earns your trust and always places your interests first. We desire to maintain an attitude of independence and objectivity in the investment decision-making process. We want to avoid actual or potential conflicts of interest and to treat your personal information with confidentiality. In this regard, we maintain a written Code of Ethics that sets out ideals for ethical conduct premised on the basic principles of openness, integrity, honesty, and trust. Our Code of Ethics addresses topics such as personal securities trading, regulatory compliance, conflicts of interest, insider trading, and confidentiality. A copy of our complete Code of Ethics is available upon request.

### **B. Material Interest in Securities**

We do not currently recommend or buy or sell in any client account securities in which we or a related person have any material financial interest. In the event there was a security that met this criterion but which we felt was appropriate for your account, we would first disclose the financial interest and allow you to make your own determination regarding the security.

### **C. Investing in Similar Securities**

Our firm, its employees or IAR’s may invest in the same or similar securities as you are, which we view as a positive thing; however, it does raise potential conflicts of interest. Therefore, we require all employees and IAR’s to report their personal securities transactions to us each quarter. In addition, if buying or selling at or about the same time, the interests of your accounts are always placed first.

### **D. Investing At or About the Same Time**

Our firm, its employees or IAR’s may also buy or sell the same or similar securities for their own account at or about the same time they are being bought or sold for your account. This raises a potential conflict of interest, as buying or selling a security could impact the price of the security

and therefore impact a subsequent buy or sell. If an employee or IAR is plans on buying or selling a security for their own account and for a client account at or about the same time, we require them to execute client transactions first. In addition, as mentioned above, we require all employees and IAR's to report their personal securities transactions to us each quarter.

## Item 12: Brokerage Practices

### A. The Custodian and Brokers We Use

We do not maintain custody of the assets we manage on your behalf; although we may be deemed to have custody when you give us the authority to withdraw assets from your account (see Item 15 – Custody, below). Your assets are always maintained in an account with a “qualified custodian,” which could be a broker/dealer, bank, trust company, mutual fund, or with the custodian of a qualified employer retirement plan. The custodian buys or sells securities when we instruct them to. As an independent investment advisor, we can manage your account, regardless of the custodian you chose. Although we may recommend a particular custodian, it is your decision which firm to actually use.

We currently utilize more than one custodian, but the custodian recommended by us and used by most of our clients is Charles Schwab & Co., Inc. (Schwab), a registered broker/dealer and member SIPC. Therefore, the remainder of this item will focus primarily on Schwab. We are independently owned and operated and are not affiliated with Schwab or any other broker/dealer.

Regardless of the custodian of an account, we may sometimes use other brokers to execute trades for your account as described below (see “*Brokerage and Custody Costs*”).

### B. How We Select Brokers/Custodians

We seek to recommend and use a custodian/broker who will hold your assets and execute transactions on terms that are, overall, most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others:

- a. Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
- b. Capability to execute, clear, and settle trades (buy and sell securities for accounts)
- c. Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- d. Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds [ETFs], etc.)
- e. Availability of investment research and tools that assist us in making investment decisions
- f. Quality of services
- g. Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices

- h. Reputation, financial strength, and stability
- i. Prior service to us and our other clients
- j. Availability of other products and services that benefit us, as discussed below (see *"Products and Services Available to Us From Schwab"*)

### C. **Brokerage and Custody Costs**

Schwab generally does not charge separately for custody services but is compensated by charging commissions or other fees on trades it executes or that settle into your Schwab account or it receive fees from certain mutual funds you may own. In addition, Schwab charges a flat dollar amount as a "prime broker" or "trade away" fee for each trade executed by a different broker-dealer but where the securities bought or the proceeds from the securities sold are deposited (settled) into your Schwab account. These fees are in addition to the commissions or other compensation you pay the executing broker-dealer. Because of this, in order to minimize trading costs, we normally have Schwab execute most trades in accounts. We have determined that having Schwab execute most trades is consistent with our duty to seek "best execution" of trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above (see *"How We Select Brokers/Custodians"*).

### D. **Products and Services Available to Us From Schwab**

Schwab Advisor Services™ is Schwab's business unit serving independent investment advisory firms like us. They provide us and our clients with access to its institutional brokerage—trading, custody, reporting, and related services—many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our client's accounts; while others help us manage and grow our business. Schwab's support services generally are available on an unsolicited basis (we don't have to request them) and at no charge to us. Following is a more detailed description of Schwab's support services:

#### a. **Services That Benefit You.**

Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab's services described in this paragraph generally benefit you and your account.

#### b. **Services That May Not Directly Benefit You**

Schwab also makes available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our client's accounts. They include investment research, both Schwab's own and that of third parties. We may use this research to service all or a substantial number of our client's accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- i. Provide access to client account data (such as duplicate trade confirmations and account statements)
- ii. Facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- iii. Provide pricing and other market data
- iv. Facilitate payment of our fees from our client's accounts
- v. Assist with back-office functions, recordkeeping, and client reporting

**c. Services That Generally Benefit Only Us**

Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:

- i. Educational conferences and events
- ii. Consulting on technology, compliance, legal, and business needs
- iii. Publications and conferences on practice management and business succession
- iv. Access to employee benefits providers, human capital consultants, and insurance providers

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide us with other benefits, such as occasional business entertainment of our personnel.

**d. Our Interest in Schwab's Services**

The availability of these services from Schwab benefits us because we do not have to produce or purchase them. We don't have to pay for Schwab's services and they are not contingent upon us committing any specific amount of business to Schwab in trading commissions or assets in custody. We may have an incentive to recommend that you maintain your account with Schwab, based on our interest in receiving Schwab's services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest. We believe, however, that our selection of Schwab as custodian and broker is in the best interests of our clients. Our selection is primarily supported by the scope, quality, and price of Schwab's services (see "*How We Select Brokers/Custodians*") and not Schwab's services that benefit only us.

## **Item 13: Review of Accounts**

**A. Regular Review**

We regularly review accounts, either monthly or quarterly, depending on the amount and type of assets (mutual funds, stocks, or bonds) held in the account. Reviews are conducted by the advisor (employee or investment advisor representative) responsible for managing the account.

## B. Other Reviews

In addition to monthly or quarterly, reviews may be scheduled at any time, such as when:

- a. You request a review or meeting.
- b. If we become aware of something potentially impacting one of your investments.
- c. We are reviewing another client's account that owns one or more of the same securities that you do.
- d. When we are considering selling an investment that is owned by more than one client.
- e. When we are considering buying an investment that we believe is suitable and fits with the objectives of more than one client.
- f. When a significant political, economic, or market-related event occurs.

## C. Reports You Receive

We provide regular, written reports. In addition, whenever we meet, an interim review or other report is prepared. While not exhaustive, here is a list of the primary reports:

### a. Client Investment Review

A quarterly investment review is provided to all investment clients. Reports commonly provided as part of this review include:

- i. Aggregate overview of all accounts
- ii. Asset allocation
- iii. Analysis of return of each holding
- iv. Realized and unrealized gain and loss
- v. Income and expense reports

### b. Financial Planning Reports

Periodic reports for financial planning clients include:

- i. Net worth statement
- ii. Tax estimates and projections
- iii. Cash flow and budgeting
- iv. Insurance needs analysis
- v. Retirement funding and withdrawal strategies
- vi. Educational funding
- vii. Estate planning and distribution strategies

## Item 14: Client Referrals and Other Compensation

We do not receive any direct economic benefit from anyone with regards to the services we provide our clients, nor do we compensate anyone (other than our employees or investment advisor representatives) for client referrals. However, we do receive an economic benefit from Schwab in the form of the support products and services it makes available to us and other independent investment advisors whose clients maintain their accounts at Schwab. These products and services, how they benefit us, and the related conflicts of interest are described above (see *Item 12 – Brokerage Practices*). The availability to us of Schwab's products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

## Item 15: Custody

Under government regulations, we are deemed to have custody of client assets if, for example, you authorize us to instruct Schwab to deduct our advisory fees directly from your account or grant us authority to transfer your money to another person's account. Schwab maintains actual custody of your assets and you receive account statements directly from Schwab at least quarterly at the email or postal mailing address you provided to Schwab. You should carefully review those statements promptly when received and also compare Schwab's account statements to any quarterly or periodic reports you receive from us.

## Item 16: Investment Discretion

As discussed under Item 4(E), we can manage accounts on either a "discretionary" or "nondiscretionary" basis, although normally it is on a discretionary basis. You may place restrictions on your account (such as, "do not invest in a particular security or type of security" or "limit my exposure in a security or industry to a certain percent") or express preferences (such as, "please include a particular security in my portfolio").

You engage our services and grant us discretionary trading authority when you sign our "Engagement Letter." In addition, when you establish your account with Schwab, you indicate on the Schwab form that you are providing us with a "limited power of attorney," which Schwab recognizes as giving us the authority to execute transactions in your account.

## Item 17: Voting Client Securities

Equities (stocks and mutual funds) are required to obtain votes from their shareholders regarding various corporate matters. Votes are cast through a "proxy," a form indicating how the shareholder wishes their vote to be cast during a meeting.

Examples of matters voted upon include: (a) election of directors; (b) selection of auditors; (c) changes in corporate governance structures or compensation plans; (d) mutual fund share distribution plans, etc.

You may vote your own proxies. However, due to a desire to avoid receiving excessive mailings or having to spend the time necessary to understand and act upon their proxies, you may prefer for us to vote your proxies on your behalf. You indicate your wish for us to vote your proxies when you complete our Engagement Letter and also on the account documentation from Schwab or other brokerage firm.

We vote proxies in a manner we believe is in your best interests and with the goal of obtaining the best long-term investment returns. In any particular solicitation, even if you have previously asked us to vote your proxies, you can contact us and indicate how you would like your proxies voted.



If we should become aware of any conflict of interest when voting your proxy, we will contact you, inform you of the conflict, and obtain direction from you regarding the voting of your proxy.

We retain a copy of proxies and upon request we can inform you of how we voted on any particular proxy.

This is a summary of our proxy voting policies and procedures. You can obtain a full copy of these policies upon request.

## **Item 18: Financial Information**

We are not aware of any financial condition that is reasonably likely to impair our ability to meet our commitments to you.

## **Item 19: Requirements for State-Registered Advisors**

Not Applicable

## **Item 20: Privacy Policy**

### **A. Our Privacy Policy**

Townsend Asset Management Corp is committed to keeping the personal information collected from our potential, current and former clients confidential and secure. The proper handling of personal information is one of our highest priorities. We want to be sure you know why we collect personal information from you and to explain our commitment to protect the information you provide to us.

### **B. Personal Information**

We collect and keep only information that is necessary for us to provide services requested by you and to administer your business with us. We may collect nonpublic personal information such as your name, address, social security number, assets, income and medical information that you authorize us to collect for insurance purposes.

We may collect this information when you complete our financial questionnaires or applications to open accounts with brokerage firms, mutual funds, etc., apply for insurance products or obtain tax preparation, financial planning or investment advisory services from us. It may also be collected as a result of transactions with us, our affiliates, representatives,

product or service providers, or others. This could include account numbers, account balances, parties to transactions, and transactions completed by us.

**C. Our Use of Your Personal Information**

Within our firm, only employees or representatives with a valid business reason have access to your personal information. These individuals are educated on the importance of maintaining the confidentiality and security of your information. We use your information strictly to provide you with the services and financial products you have requested from us.

**D. Non-Affiliated Parties**

We do not share your nonpublic personal information with non-affiliated parties (companies or individuals not affiliated with our firm) except as permitted by law and for the limited purposes of effecting transactions or services requested and authorized by you or to comply with legal or regulatory requirements. Examples: (a) If we open a brokerage account for you it is necessary to provide the brokerage firm with certain personal information; (b) When coordinating with your tax or legal advisors, it may be necessary to discuss certain personal information with them. In the normal course of our business, we may utilize non-affiliated parties to provide us with service functions, such as record keeping, data storage, etc. We require these providers to agree to safeguard your information, to use the information only for the intended purpose, and to abide by applicable law.

**E. Protection and Maintenance of Information**

We maintain standards to protect your personal information, whether written, spoken, or electronic. Our goal is to maintain accurate, up-to-date client records in accordance with industry standards. We attempt to keep information current and complete, including timely correction of any inaccurate information.

**F. Disclosure of Privacy Policy**

We recognize and respect the privacy concerns of our potential, current and former clients. We strive to safeguard your personal information. We provide a Notice of Privacy Policy for informational purposes and update and distribute it as required by law.