

**Grimes & Company, Inc.**  
SEC File Number: 801 – 57193

**Grimes & Company, Inc.**  
**Brochure**  
**Dated March 15, 2017**

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**This brochure provides information about the qualifications and business practices of Grimes & Company, Inc. (“Grimes”). If you have any questions about the contents of this brochure, please contact us at (508) 366-3883 or [mdavide@grimesco.com](mailto:mdavide@grimesco.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 Grimes & Company, Inc. is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**References herein to Grimes & Company, Inc. as a “registered investment adviser” or any reference to being “registered” does not imply a certain level of skill or training.**

## **Item 2           Material Changes**

There are material changes made to Grimes & Company, Inc.'s disclosure statement since the most recent Annual Amendment filed February 11, 2016. On July 1, 2016 Michael J. Davide was appointed Chief Compliance Officer of Grimes and Company, Inc. Mr. Davide was previously Compliance Manager from November 2014 through June 2016. Gerald S. Connolly, who was previously Chief Compliance Officer, will continue in a compliance consulting capacity to support Mr. Davide.

## **Item 3           Table of Contents**

Item 1	Cover Page.....	1
Item 2	Material Changes.....	2
Item 3	Table of Contents.....	2
Item 4	Advisory Business .....	2
Item 5	Fees and Compensation .....	6
Item 6	Performance-Based Fees and Side-by-Side Management .....	8
Item 7	Types of Clients.....	8
Item 8	Methods of Analysis, Investment Strategies and Risk of Loss.....	8
Item 9	Disciplinary Information .....	10
Item 10	Other Financial Industry Activities and Affiliations .....	10
Item 11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	11
Item 12	Brokerage Practices .....	12
Item 13	Review of Accounts.....	15
Item 14	Client Referrals and Other Compensation .....	16
Item 15	Custody.....	17
Item 16	Investment Discretion .....	18
Item 17	Voting Client Securities.....	18
Item 18	Financial Information .....	19

## **Item 4           Advisory Business**

- A. Grimes & Company, Inc. (“Grimes”) is a corporation formed on October 20, 1999, in the Commonwealth of Massachusetts. Grimes became registered as an Investment Adviser Firm in January 2000. Grimes is principally owned by Kevin T. Grimes, Timothy J. Grimes, and the Timothy J. Grimes Dynasty Trust. Timothy Grimes and Kevin Grimes are Grimes’ Principals.
- B. As discussed below, Grimes offers to its clients (individuals, business entities, trusts, pension and profit sharing plans, estates and charitable organizations, and state or municipal government entities.) investment advisory services. Although Grimes does not hold itself out as providing financial planning and related consulting services, it may provide limited planning and related consulting services ancillary to the investment

management process to the extent specifically requested by the client (See discussion below).

### **INVESTMENT ADVISORY SERVICES**

Grimes works with each client to develop a customized investment strategy in an effort to satisfy the unique needs of each individual, family, or institution that they serve. Proprietary research and portfolio management systems are deployed to develop investment policy, implement portfolios and manage allocations and exposures.

### **MISCELLANEOUS**

**Limited Consulting/Implementation Services.** To the extent specifically requested, Grimes may provide financial planning and related consulting services to its investment management clients on matters such as estate planning, tax planning, insurance, etc. Grimes shall not receive any separate or additional fee for any such consultation services. Neither Grimes, nor any of its representatives, serves as an attorney, or accountant and no portion of Grimes' services should be construed as same. Accordingly, Grimes **does not** prepare estate planning documents or tax returns. To the extent requested by a client, Grimes may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance agents, etc.), including representatives of Grimes in their separate registered/licensed capacities as discussed below. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from Grimes. **Please Note:** If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. **Please Also Note:** It remains the client's responsibility to promptly notify Grimes if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Grimes' previous recommendations and/or services.

**Private Investment Funds.** Grimes may provide investment advice regarding unaffiliated private investment funds. Grimes, on a non-discretionary basis, may recommend that certain qualified clients consider an investment in unaffiliated private investment funds. Grimes' role relative to the private investment funds shall be limited to its initial and ongoing due diligence and investment monitoring services. If a client determines to become a private fund investor, the amount of assets invested in the fund(s) shall be included as part of "assets under management" for purposes of Grimes calculating its investment advisory fee. Grimes' clients are under absolutely no obligation to consider or make an investment in a private investment fund(s).

**Please Note:** Private investment funds generally involve various risk factors, including, but not limited to, potential for complete loss of principal, liquidity constraints and lack of transparency, a complete discussion of which is set forth in each fund's offering documents, which will be provided to each client for review and consideration. Unlike liquid investments that a client may maintain, private investment funds do not provide daily liquidity or pricing. Each prospective client investor will be required to complete a Subscription Agreement, pursuant to

which the client shall establish that he/she is qualified for investment in the fund, and acknowledges and accepts the various risk factors that are associated with such an investment.

**Please Also Note: Valuation.** In the event that Grimes references private investment funds owned by the client on any supplemental account reports prepared by Grimes, the value(s) for all private investment funds owned by the client shall reflect the most recent valuation provided by the fund sponsor. If no subsequent valuation post-purchase is provided by the Fund Sponsor, then the valuation shall reflect the initial purchase price (and/or a value as of a previous date), or the current value(s) (either the initial purchase price and/or the most recent valuation provided by the fund sponsor). If the valuation reflects the initial purchase price (and/or a value as of a previous date), the current value(s) (to the extent ascertainable) could be **significantly more or less** than the original purchase price. The client's advisory fee shall be based upon reflected fund value(s).

### **Other Services**

Grimes may also render discretionary investment management services to clients relative to: (1) variable annuity products that they may own, (2) their individual employer-sponsored retirement plans, or (3) 529 college savings plans. In so doing, Grimes either directs or recommends the allocation of client assets among the various subaccounts which comprise the variable annuity product or the retirement plan. For these services, Grimes' management fee is paid quarterly in arrears, based upon the market value of the assets on the last day of the previous quarter. The client assets shall be maintained at either the specific insurance company that issued the variable annuity product which is owned by the client, or at the custodian designated by the sponsor of the client's retirement plan.

**Sub-Advisory Arrangements.** Grimes may engage sub-advisors for the purpose of assisting Grimes with the management of its client accounts. The sub-advisor(s) shall have discretionary authority for the day-to-day management of the assets that are allocated to it by Grimes. The sub-advisor shall continue in such capacity until such arrangement is terminated or modified by Grimes. Grimes shall pay a portion of the investment advisory fee received for these allocated assets to the sub-advisor for its sub-advisory services. Grimes' Chief Compliance Officer, Michael J. Davide, remains available to address any questions concerning Grimes' sub-advisory arrangements.

**Independent Managers.** Grimes may allocate (and/or recommend that the client allocate) a portion of a client's investment assets among unaffiliated independent investment managers in accordance with the client's designated investment objective(s). In such situations, the *Independent Manager[s]* shall have day-to-day responsibility for the active discretionary management of the allocated assets. Grimes shall continue to render investment advisory services to the client relative to the ongoing monitoring and review of account performance, asset allocation and client investment objectives. Factors which Grimes shall consider in recommending *Independent Manager[s]* include the client's designated investment objective(s), management style, performance, reputation, financial strength, reporting, pricing, and research.

**Please Note: Retirement Rollovers-No Obligation/Conflict of Interest:**

A client leaving an employer typically has four options (and may engage in a combination of these options): i) leave the money in his or her former employer's plan, if permitted, ii) roll over the assets to his or her new employer's plan, if one is available and rollovers are permitted, iii) rollover to an IRA, or iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). Grimes may recommend an investor roll over plan assets to an Individual Retirement Account (IRA) managed by Grimes. As a result Grimes and its representatives may earn an asset based fee (please see note below). In contrast, a recommendation that a client or prospective client leave his or her plan assets with his or her old employer or roll the assets to a plan sponsored by a new employer will generally result in no compensation to Grimes (unless you engage Grimes to monitor and/or manage the account while maintained at your employer).

Grimes has an economic incentive to encourage an investor to roll plan assets into an IRA that Grimes will manage or to engage Grimes to monitor and/or manage the account while maintained at your employer. There are various factors that Grimes may consider before recommending a rollover, including but not limited to: i) the investment options available in the plan versus the investment options available in an IRA, ii) fees and expenses in the plan versus the fees and expenses in an IRA, iii) the services and responsiveness of the plan's investment professionals versus Grimes', iv) protection of assets from creditors and legal judgments, v) required minimum distributions and age considerations, and vi) employer stock tax consequences, if any. No client is under any obligation to rollover plan assets to an IRA managed by Grimes or to engage Grimes to monitor and/or manage the account while maintained at your employer. Please Note: If Grimes' engagement will include the management of the client's retirement account per the same fee schedule set forth in Item 5 below, regardless of custodian or the client's decision to process a rollover, the above economic incentive to recommend a rollover is moot. **ANY QUESTIONS:** Grimes' Chief Compliance Officer, Michael J. Davide, remains available to address any questions that a client may have regarding its prospective engagement and the corresponding conflict of interest presented by such engagement.

**Client Obligations.** In performing its services, Grimes shall not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely thereon. Moreover, each client is advised that it remains his/her/its responsibility to promptly notify Grimes if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Grimes' previous recommendations and/or services.

**Disclosure Statement.** A copy of Grimes' written Brochure as set forth on Part 2A of Form ADV shall be provided to each client prior to, or contemporaneously with, the execution of the *Investment Advisory Agreement*.

- B. Grimes shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will ascertain each client's investment objective(s). Thereafter, Grimes shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at anytime, impose reasonable restrictions, in writing, on Grimes' services.
- C. Grimes does not participate in a wrap fee program.
- D. As of December 31, 2016, Grimes had \$1,858,724,715 in assets under management on a discretionary basis and \$7,538,298 on a non-discretionary basis.

## **Item 5 Fees and Compensation**

- A. The client can determine to engage Grimes to provide discretionary investment advisory services on a percentage of assets under management on a *fee* basis.

### **INVESTMENT ADVISORY SERVICES**

The client can determine to engage Grimes to provide discretionary investment advisory services on a negotiable *fee* basis. Annual management fees are calculated as a percentage (%) of the market valuation of assets under management, generally in accordance with the following published schedule of fees. Note that multiple client accounts are aggregated for fee calculation purposes.

<u>Market Value of Portfolio</u>	<u>% of Assets</u>
Under \$500,000	1.25%
\$500,000.01- \$2,000,000	1.00%
\$2,000,000.01- \$7,000,000	0.75%
\$7,000,000.01- \$10,000,000	0.65%
Over \$10,000,000.01	0.50%

The published fee schedule is tiered in nature. Accordingly, the fee is 1.25% for the first \$500,000, 1.00% on the next \$1,500,000, 0.75% for the following \$5,000,000, etc. This annual fee shall be prorated and paid quarterly in arrears based on the market value of the assets on the last day of the previous quarter. Note that in certain situations, the specific fee paid may differ from the above published schedule if agreed to in advance.

- B. Clients shall have Grimes' advisory fees deducted from their custodial account. Both Grimes' *Investment Advisory Agreement* and the custodial/clearing agreement may authorize the custodian to debit the account for the amount of Grimes' investment advisory fee and to directly remit that management fee to Grimes in compliance with regulatory procedures. In the limited event that Grimes bills the client directly, payment is due upon receipt of Grimes' invoice. Grimes shall deduct fees and/or bill clients quarterly in arrears, based upon the market value of the assets on the last business day of the previous quarter.
- C. As discussed below, unless the client directs otherwise or an individual client's circumstances require, Grimes shall generally recommend that Fidelity Investments ("*Fidelity*"), TD Ameritrade Inc. ("TD Ameritrade") or Charles Schwab and Co., Inc.

("Schwab"), serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as *Fidelity*, *TD Ameritrade*, or *Schwab* charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e. transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and fixed income securities transactions). In addition to Grimes' investment management fee, brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses).

- D. Grimes' annual investment advisory fee shall be prorated and paid quarterly, in arrears, based upon the market value of the assets on the last business day of the previous quarter. Grimes generally requires a minimum asset level of \$500,000 for investment advisory services. Grimes, in its sole discretion, may charge a lesser investment management fee and/or waive or reduce its minimum asset requirement 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, negotiations with client, etc.).

The *Investment Advisory Agreement* between Grimes and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the *Investment Advisory Agreement*. Upon termination, a pro-rated portion of the earned but unpaid advisory fee shall be due.

- E. **Securities Commission Transactions.** In the event that the client desires, the client can engage Grimes' representatives, in their individual capacities, as registered representatives of *Mid Atlantic Capital Corporation* ("MACC"), an SEC registered and FINRA member broker-dealer, to implement investment recommendations on a commission basis. In the event the client chooses to purchase investment products through MACC, MACC will charge brokerage commissions to effect securities transactions, a portion of which commissions MACC shall pay to Grimes' representatives, as applicable. The brokerage commissions charged by MACC may be higher or lower than those charged by other broker-dealers.

1. **Conflict of Interest:** The recommendation that a client purchase a commission product from MACC presents a ***conflict of interest***, as the receipt of commissions may provide an incentive to recommend investment products based on commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase any commission products from Grimes' representatives. **Grimes' Chief Compliance Officer, Michael J. Davide, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**
2. **Please Note:** Clients may purchase investment products recommended by Grimes through other, non-affiliated broker dealers or agents.
3. Grimes does not receive more than 50% of its revenue from advisory clients as a result of commissions or other compensation for the sale of investment products Grimes recommends to its clients.
4. When Grimes' representatives sell an investment product on a commission basis, Grimes does not charge an advisory fee in addition to the commissions paid by the

client for such product. When providing services on an advisory fee basis, Grimes' representatives do not also receive commission compensation for such advisory services. **However**, a client may engage Grimes to provide investment management services on an advisory fee basis and separate from such advisory services purchase an investment product from Grimes' representatives on a separate commission basis.

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

Neither Grimes nor any supervised person of Grimes accepts performance-based fees.

## **Item 7 Types of Clients**

Grimes' clients shall generally include individuals, business entities, trusts, estates and charitable organizations, pension and profit sharing plans, and state or municipal government entities. Grimes generally requires a minimum asset level of \$500,000 for investment advisory services. Grimes, in its sole discretion, may charge a lesser investment management fee and/or waive or reduce its minimum asset requirement 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, negotiations with client, etc.).

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

- A. Grimes may utilize the following methods of security analysis:
- Fundamental - (analysis performed on historical and present data, with the goal of making financial forecasts)
  - Technical – (analysis of price trends and volatility)

Grimes may utilize the following investment strategies when implementing investment advice given to clients:

- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)
- Options (contract for the purchase or sale of a security at a predetermined price during a specific period of time)

**Please Note: Investment Risk.** Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by Grimes) will be profitable or equal any specific performance level(s).

- B. Grimes' methods of analysis and investment strategies do not present any significant or unusual risks.

However, every method of analysis has its own inherent risks. To perform an accurate market analysis Grimes must have access to current/new market information. Grimes has no control over the dissemination rate of market information; therefore, unbeknownst to



Grimes, certain analyses may be compiled with outdated market information, severely limiting the value of Grimes' analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

Grimes' primary investment strategies - Long Term Purchases and Short Term Purchases - are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy.

In addition to the fundamental investment strategies discussed above, Grimes may also implement and/or recommend options transactions. This strategy has a high level of inherent risk. (*See* discussion below).

The use of options transactions as an investment strategy involves a high level of inherent risk. Option transactions establish a contract between two parties concerning the buying or selling of an asset at a predetermined price during a specific period of time. During the term of the option contract, the buyer of the option gains the right to demand fulfillment by the seller. Fulfillment may take the form of either selling or purchasing a security depending upon the nature of the option contract. Generally, the purchase or the recommendation to purchase an option contract by Grimes shall be with the intent of offsetting/"hedging" a potential market risk in a client's portfolio. **Please Note:** Although the intent of the options-related transactions that may be implemented by Grimes is to hedge against principal risk, certain of the options-related strategies (i.e. straddles, short positions, etc), may, in and of themselves, produce principal volatility and/or risk. Thus, a client must be willing to accept these enhanced volatility and principal risks associated with such strategies. In light of these enhanced risks, client may direct Grimes, in writing, not to employ any or all such strategies for his/her/their/its accounts.

- C. Currently, Grimes primarily allocates client investment assets among various no-load and/or load-waived mutual fund classes and/or individual debt and equity securities, and, on a limited basis, independent managers, on a discretionary basis in accordance with the client's designated investment objective(s). (*See* Independent Managers in Item 4.B above).

**Please Note: Liquidity Constraints.** Grimes may utilize mutual funds and/or exchange traded funds that provide for limited liquidity, generally on a quarterly basis. Thus, if we determined that the fund was no longer performing or if you ever determined to transfer your account, the Fund could not be sold or transferred immediately. Rather, sale or transfer would need to await the quarterly permitted sale date. Moreover, the eventual net asset value for the Fund could be substantially different (positive or negative) than the Fund value on the date that the sale was requested. There can be **no assurance** that any such strategy will prove profitable or successful. In light of these enhanced risks/rewards, a client may direct Grimes, in writing, not to employ any or all such strategies for the client's account.

**Please Note: Inverse/Enhanced Market Strategies.** Grimes may utilize long and short mutual funds and/or exchange traded funds that are designed to perform in either an: (1) inverse relationship to certain market indices (at a rate of 1 or more times the inverse [opposite] result of the corresponding index) as an investment strategy and/or for the purpose of hedging against downside market risk; and (2) enhanced relationship to certain market indices (at a rate of 1 or more times the actual result of the corresponding index) as an investment strategy and/or for the purpose of increasing gains in an advancing market. There can be no assurance that any such strategy will prove profitable or successful. In light of these enhanced risks/rewards, a client may direct Grimes, in writing, not to employ any or all such strategies for the client's account.

## **Item 9            Disciplinary Information**

Grimes has not been the subject of any disciplinary actions.

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

- A. **Registered Representative of MACC.** As disclosed above in Item 5.E, certain of Grimes' representatives are also registered representatives of *Mid Atlantic Capital Corp* ("MACC"), a FINRA member broker-dealer.
- B. Neither Grimes, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.
- C.
  - 1. **Broker Dealer.** As disclosed above in Item 5.E, certain of Grimes' representatives, are registered representatives of MACC, a FINRA member broker-dealer. Clients can choose to engage certain of Grimes' representatives, in their individual capacities, to effect securities brokerage transactions on a commission basis.
  - 8. **Licensed Insurance Agents.** Certain of Grimes' representatives, in their individual capacities, are licensed insurance agents, and may recommend the purchase of certain insurance-related products on a commission basis. As referenced in Item 4 B above, clients can engage certain of Grimes' representatives to purchase insurance products on a commission basis. Grimes' representatives may offer insurance products in conjunction with unaffiliated licensed insurance professionals.

**Conflict of Interest:** The recommendation by certain of Grimes' representatives, that a client purchase a securities or insurance commission product presents a ***conflict of interest***, as the receipt of commissions may provide an incentive to recommend investment products based on commissions received, rather than on a particular client's need. No client is under any obligation to purchase any commission products from Grimes. Clients are reminded that they may purchase securities and/or insurance products recommended by Grimes from other broker-dealers or insurance agents. **Grimes' Chief Compliance Officer, Michael J. Davide, remains available to address any questions that a client or prospective client may have regarding the above conflicts of interest.**

- D. Grimes does not receive, directly or indirectly, compensation from investment advisors that it recommends or selects for its clients.

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

- A. Grimes maintains an investment policy relative to personal securities transactions. This investment policy is part of Grimes' overall Code of Ethics, which serves to establish a standard of business conduct for all of Grimes' Representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, Grimes also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by Grimes or any person associated with Grimes.

- B. Neither Grimes nor any related person of Grimes recommends, buys, or sells for client accounts, securities in which Grimes or any related person of Grimes has a material financial interest.
- C. Grimes and/or representatives of Grimes *may* buy or sell securities that are also recommended to clients. This practice may create a situation where Grimes and/or representatives of Grimes are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. Practices such as "scalping" (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if Grimes did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, "front-running" (i.e., personal trades executed prior to those of Grimes' clients) and other potentially abusive practices.

Grimes has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of Grimes' "Access Persons". Grimes' securities transaction policy requires that an Access Person of Grimes must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person's current securities holdings at least once each twelve (12) month period thereafter on a date Grimes selects; provided, however that at any time that Grimes has only one Access Person, he or she shall not be required to submit any securities report described above.

- D. Grimes and/or representatives of Grimes *may* buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where Grimes and/or representatives of Grimes are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. As indicated above in Item 11.C, Grimes has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of Grimes' Access Persons.

## Item 12 Brokerage Practices

- A. In the event that the client requests that Grimes recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct Grimes to use a specific broker-dealer/custodian), Grimes generally recommends that investment management accounts be maintained at *Fidelity, TD Ameritrade, and/or Schwab*. Prior to engaging Grimes to provide investment management services, the client will be required to enter into a formal *Investment Advisory Agreement* with Grimes setting forth the terms and conditions under which Grimes shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that Grimes considers in recommending *Fidelity, TD Ameritrade, and/or Schwab* (or any other broker-dealer/custodian to clients) include historical relationship with Grimes, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by Grimes' clients shall comply with Grimes' duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where Grimes determines, in good faith, that the commission/transaction fee is reasonable. 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 broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Grimes will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, Grimes' investment management fee. Grimes' best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

### 1. Research and Additional Benefits

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, Grimes may receive from *Fidelity, TD Ameritrade, and/or Schwab* (or another broker-dealer/custodian, or investment platform or product sponsor) without cost (and/or at a discount) support services and/or products, certain of which assist Grimes to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by the Grimes may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by Grimes in furtherance of its investment advisory business operations.

As indicated above, certain of the support services and/or products that *may* be received may assist Grimes in managing and administering client accounts. Others do not directly provide such assistance, but rather assist Grimes to manage and further develop its business enterprise.

Grimes' clients do not pay more for investment transactions effected and/or assets maintained at *Fidelity, TD Ameritrade, and/or Schwab* as a result of this arrangement. There is no corresponding commitment made by Grimes to *Fidelity, TD Ameritrade,*

*and/or Schwab* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

**TD Ameritrade Advisor Institutional Program.** Grimes participates in the TD Ameritrade Institutional program. TD Ameritrade Institutional is a division of TD Ameritrade, Inc. member FINRA/SIPC/NFA. TD Ameritrade is an independent [and unaffiliated] SEC-registered broker-dealer. TD Ameritrade offers to independent investment advisors, services which include custody of securities, trade execution, clearance, and settlement of transactions. Grimes receives some benefits from TD Ameritrade through its participation in the program.

**Grimes' Chief Compliance Officer, Michael J. Davide, remains available to address any questions that a client or prospective client may have regarding any of the above arrangements and any corresponding conflicts of interest.**

2. Referral Programs:

**Fidelity Referral Program.** Grimes participates in the Fidelity Wealth Advisor Solutions Program® (the "WAS" Program). Grimes' participation in the referral program may raise potential conflicts of interest, since Fidelity will most likely refer clients to investment advisors that encourage their clients to custody their assets at Fidelity. **Grimes' Chief Compliance Officer, Michael J. Davide, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest such arrangement may create.**

**TD Ameritrade AdvisorDirect Program.** Grimes may receive client referrals from TD Ameritrade through its participation in TD Ameritrade AdvisorDirect (the "referral program"). In addition to meeting the minimum eligibility criteria for participation in AdvisorDirect, Grimes may have been selected to participate in AdvisorDirect based on the amount and profitability to TD Ameritrade of the assets in, and trades placed for, client accounts maintained with TD Ameritrade. TD Ameritrade is a discount broker-dealer independent of and unaffiliated with Grimes and there is no employee or agency relationship between them. TD Ameritrade has established the referral program as a means of referring its brokerage customers and other investors seeking fee-based personal investment management services or financial planning services to independent investment advisors. TD Ameritrade does not supervise Grimes and has no responsibility for Grimes' management of client portfolios or Grimes' other advice or services. Grimes pays TD Ameritrade an on-going fee for each successful client referral. This fee ("Solicitation Fee") is usually a percentage (not to exceed 25%) of the advisory fee that the client pays to Grimes. Grimes will also pay TD Ameritrade the Solicitation Fee on any advisory fees received by Grimes from any of the referred client's family members, including a spouse, child or any other immediate family member who resides with the referred client and hired Grimes on the recommendation of such referred client. Grimes will not charge clients referred through AdvisorDirect any fees or costs higher than its standard fee schedule offered to its clients or otherwise pass Solicitation Fees paid to TD Ameritrade to its clients. For information regarding additional or other fees paid directly or indirectly to TD

Ameritrade, please refer to the TD Ameritrade AdvisorDirect Disclosure and Acknowledgement Form.

Grimes' participation in AdvisorDirect raises potential conflicts of interest. TD Ameritrade will most likely refer clients through AdvisorDirect to investment advisors that encourage their clients to custody their assets at TD Ameritrade and whose client accounts are profitable to TD Ameritrade. Consequently, in order to obtain client referrals from TD Ameritrade, Grimes may have an incentive to recommend to clients that the assets under management by Grimes be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade. In addition, Grimes has agreed not to solicit clients referred to it through AdvisorDirect to transfer their accounts from TD Ameritrade or to establish brokerage or custody accounts at other custodians, except when its fiduciary duties require doing so. Grimes' participation in AdvisorDirect does not diminish its duty to seek best execution of trades for client accounts. **Grimes' Chief Compliance Officer, Michael J. Davide, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest such arrangement may create.**

The following are programs in which Grimes is a participant:

**iRebal.** Grimes considers a number of factors in selecting brokers and custodians at which to locate (or recommend location of) its client accounts, including, but not limited to, execution capability, experience and financial stability, reputation and the quality of services provided. In selecting TD Ameritrade as the broker and custodian for certain of its current and future client accounts, Grimes takes into consideration its arrangement with TD Ameritrade as to obtaining price discounts for TD Ameritrade's automatic portfolio rebalancing service for advisors known as "iRebal". The standard iRebal annual license fee applicable to Grimes is \$80,000. That fee is subject to specified reductions (and even complete waiver) if specified amounts of client taxable assets are either already on the TD Ameritrade platform or are committed to be placed on it. Specified taxable client assets either maintained on or committed to the TD Ameritrade platform will bring fee reductions of up to \$80,000 per year for each of as many as three years or more. During the first four year term from February 2011 through January 2015 TD Ameritrade waived Grimes' iRebal fees totaling \$237,500. The non-taxable assets excluded from the maintenance and commitment levels described above are those that constitute "plan assets" of plans subject to Title 1 of the Employee Retirement Income Security Act of 1974, amended, or of plans as defined in Section 4975 of the Internal Revenue Code (which include IRAs). **Please Note:** If Grimes does not maintain a certain level of taxable assets on the TD Ameritrade platform, Grimes may be required to make a penalty fee payment to TD Ameritrade calculated on the basis of the shortfall. Although Grimes believes that the products and services offered by TD Ameritrade are competitive in the market place for similar services offered by other broker-dealers or custodians, the arrangement with TD Ameritrade as to the iRebal service may affect Grimes' independent judgment in selecting or maintaining TD Ameritrade as the broker or custodian for client accounts. **Grimes' Chief Compliance Officer, Michael J. Davide, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest such arrangement may create.**

3. Grimes does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and Grimes will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by Grimes. As a result, 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.

**Please Note:** In the event that the client directs Grimes to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through Grimes.

**Grimes' Chief Compliance Officer, Michael J. Davide, remains available to address any questions that a client or prospective client may have regarding any of the above arrangements and any corresponding conflicts of interest.**

- B. To the extent that Grimes provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless Grimes decides to purchase or sell the same securities for several clients at approximately the same time. Grimes may (but is not obligated to) combine or "bunch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among Grimes' clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. Grimes shall not receive any additional compensation or remuneration as a result of such aggregation.

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

- A. For those clients to whom Grimes provides investment supervisory services, account reviews are conducted on an ongoing basis by Grimes' Principals and/or representatives. All investment supervisory clients are advised that it remains their responsibility to advise Grimes of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review financial planning issues (to the extent applicable), investment objectives and account performance with Grimes on an annual basis.
- B. Grimes *may* conduct account reviews on an other than periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.
- C. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian

and/or program sponsor for the client accounts. Grimes may also provide a written periodic report summarizing account activity and performance.

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

- A. As referenced in Item 12.A.1 above, Grimes may receive an indirect economic benefit from *Fidelity, TD Ameritrade, and/or Schwab*. Grimes, without cost (and/or at a discount), may receive support services and/or products from *Fidelity, TD Ameritrade, and/or Schwab*.

Grimes' clients do not pay more for investment transactions effected and/or assets maintained at *Fidelity, TD Ameritrade, and/or Schwab* as a result of this arrangement. There is no corresponding commitment made by Grimes to *Fidelity, TD Ameritrade, and/or Schwab* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

**TD Ameritrade Adviser Institutional Program.** As disclosed under Item 12 above, Grimes participates in TD Ameritrade's institutional customer program and Grimes may recommend TD Ameritrade to Clients for custody and brokerage services. There is no direct link between Grimes' participation in the program and the investment advice it gives to its Clients, although Grimes receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate Client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving Grimes participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts); the ability to have advisory fees deducted directly from Client accounts; access to an electronic communications network for Client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and compliance, marketing, research, technology, and practice management products or services provided to Grimes by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by Grimes' related persons. Some of the products and services made available by TD Ameritrade through the program may benefit Grimes but may not benefit its Client accounts. These products or services may assist Grimes in managing and administering Client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help Grimes manage and further develop its business enterprise. The benefits received by Grimes or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, Grimes endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by Grimes or its related persons in and of itself creates a potential conflict of interest and may indirectly influence Grimes' choice of TD Ameritrade for custody and brokerage services

**Grimes' Chief Compliance Officer, Michael J. Davide, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest any such arrangement may create.**



- B. If a client is introduced to Grimes by either an unaffiliated or an affiliated solicitor, Grimes *may* pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, and any corresponding state securities law requirements. Any such referral fee shall be paid solely from Grimes' investment management fee, and shall not result in any additional charge to the client. If the client is introduced to Grimes by an unaffiliated solicitor, the solicitor, at the time of the solicitation, shall disclose the nature of his/her/its solicitor relationship, and shall provide each prospective client with a copy of Grimes' written Brochure with a copy of the written disclosure statement from the solicitor to the client disclosing the terms of the solicitation arrangement between Grimes and the solicitor, including the compensation to be received by the solicitor from Grimes.

**Participation in Fidelity Wealth Advisor Solutions®.** Grimes participates in the Fidelity Wealth Advisor Solutions Program® (the "WAS" Program), through which Grimes receives referrals from Strategic Advisers, Inc. ("SAI"), a registered investment adviser and subsidiary of FMR LLC, the parent company of Fidelity Investments. Grimes is independent and not affiliated with SAI or FMR LLC. SAI does not supervise or control Grimes, and SAI has no responsibility or oversight for Grimes' provision of investment management or other advisory services.

Under the WAS Program, SAI acts as a solicitor for Grimes, and Grimes pays referral fees to SAI for each referral received based on Grimes' assets under management attributable to each client referred by SAI or members of each client's household. The WAS Program is designed to help investors find an independent investment advisor, and any referral from SAI to Grimes does not constitute a recommendation or endorsement by SAI of Grimes' particular investment management services or strategies. More specifically, Grimes pays the following amounts to SAI for referrals: the sum of (i) an annual percentage of 0.10% of any and all assets in client accounts where such assets are identified as "fixed income" assets by SAI, and (ii) an annual percentage of 0.25% of all other assets held in client accounts. For referrals made prior to April 1, 2017, these fees are payable for a maximum of seven years. Fees with respect to referrals made after that date are not subject to the seven year limitation. In addition, Grimes, has agreed to pay SAI a minimum annual fee amount in connection with its participation in the WAS Program. These referral fees are paid by Advisor and not the client.

To receive referrals from the WAS Program, Grimes must meet certain minimum participation criteria, but Grimes may have been selected for participation in the WAS Program as a result of its other business relationships with SAI and its affiliates, including Fidelity Brokerage Services, LLC ("FBS"). As a result of its participation in the WAS Program, Grimes may have a potential conflict of interest with respect to its decision to use certain affiliates of SAI, including FBS, for execution, custody and clearing for certain client accounts, and Grimes may have a potential incentive to suggest the use of FBS and its affiliates to its advisory clients, whether or not those clients were referred to Grimes as part of the WAS Program. Under an agreement with SAI, Grimes has agreed that Grimes will not charge clients more than the standard range of advisory fees disclosed in its Form ADV 2A Brochure to cover solicitation fees paid to SAI as part of the WAS Program. Pursuant to these arrangements, Grimes has agreed not to solicit clients to transfer their brokerage accounts from affiliates of SAI or establish brokerage accounts at other custodians for referred clients other than when Grimes' fiduciary duties would so require,

and Grimes has agreed to pay SAI a one-time fee equal to 0.75% of the assets in a client account that is transferred from SAI's affiliates to another custodian; therefore, Grimes may have an incentive to suggest that referred clients and their household members maintain custody of their accounts with affiliates of SAI. However, participation in the WAS Program does not limit Grimes' duty to select brokers on the basis of best execution.

#### **Item 15           Custody**

Grimes shall have the ability to have its advisory fee for each client debited by the custodian on a quarterly basis in arrears. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. Grimes may also provide a written periodic report summarizing account activity and performance.

**Please Note:** To the extent that Grimes provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by Grimes with the account statements received from the account custodian. **Please Also Note:** The account custodian does not verify the accuracy of the Grimes' advisory fee calculation.

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

The client can determine to engage Grimes to provide investment advisory services on a discretionary basis. Prior to Grimes assuming discretionary authority over a client's account, the client shall be required to execute an *Investment Advisory Agreement*, naming Grimes as the client's attorney and agent in fact, granting Grimes full authority to buy, sell, or otherwise effect investment transactions involving the assets in the client's name found in the discretionary account.

Clients who engage Grimes on a discretionary basis may, at anytime, impose restrictions, **in writing**, on Grimes' discretionary authority (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe Grimes' use of margin, etc.).

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

- A. Unless a client directs otherwise in writing, in conjunction with the proxy voting and due diligence services provided by Broadridge Financial Solutions, Inc., or its successors or assignees ("Broadridge"), Grimes shall be responsible for directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted. Grimes and/or the client shall correspondingly instruct each custodian of the client's assets to forward to Grimes copies of all proxies and shareholder communications relating to such assets. In addition, in conjunction with the services provided by Broadridge, Grimes shall monitor corporate actions of individual issuers and investment companies consistent with Grimes' fiduciary duty to vote proxies in the best interests of its clients. With respect to individual issuers, Grimes may be solicited to vote on matters including corporate governance, adoption or amendments to compensation plans (including stock options), and matters involving social issues and corporate responsibility. With respect to investment

companies (e.g., mutual funds), Grimes may be solicited to vote on matters including the approval of advisory contracts, distribution plans, and mergers. With respect to class action lawsuits, Grimes will provide trade data to Broadridge, which will research global class action cases and complete and calculate the applicable proof of claim. Broadridge will then file the applicable proof of claim with the Claims Administrator, verify payment received from the Claims Administrator and distribute the payment to the Client, minus Broadridge's twenty percent (20%) contingency fee of securities class action settlements collected. Grimes shall maintain records pertaining to proxy voting as required pursuant to Rule 204-2(c)(2) under the Investment Advisers Act of 1940. Copies of Rules 206(4)-6 and 204-2(c)(2) are available upon written request. In addition, information pertaining to how Grimes voted on any specific proxy issue is also available upon written request.

**Grimes' Chief Compliance Officer, Michael J. Davide, remains available to address any questions that a client or prospective client may have regarding the above arrangement.**

- B. As set forth in Item 17.A, Grimes votes client proxies.

## **Item 18 Financial Information**

- A. Grimes does not solicit fees of more than \$1,200, per client, six months or more in advance.
- B. Grimes is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.
- C. Grimes has not been the subject of a bankruptcy petition.

**ANY QUESTIONS: Grimes' Chief Compliance Officer, Michael J. Davide remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.**