

DISCLOSURE BROCHURE

(FORM ADV, PART II)

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This brochure provides information about the qualifications and business practices of Ammon Gresham Dunton, Jr., a registered investment adviser. If you have any questions about the contents of this brochure, please contact us by telephone, fax or email noted above. 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 Ammon Gresham Dunton, Jr. is also available on the SEC's website at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov). The term "Registered Investment Adviser" does not imply a certain level of skill or training.

## **Material Changes**

There are no material changes from the prior Form ADV Part II

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## Advisory Business

Ammon Gresham Dunton, Jr. (“Adviser”) does not engage in the investment advisory business in the fashion most commonly encountered. As an attorney in the White Stone, Virginia law firm of Dunton, Simmons & Dunton, LLP, the Adviser primarily provides legal advice in the areas of estate planning, estate and trust administration, and taxation. Adviser has extensive experience as a fiduciary, having acted as trustee and executor on numerous occasions over the past forty-seven years. In addition to individual trusts and estates, Adviser has been selected as trustee for religious and charitable endowment funds, corporate pension trusts, IRA accounts, and insurance company investment portfolios. He is often called upon by clients of the firm to act as trustee of trusts. Many trusts are estate planning trusts created by the client, or a member of the client’s family, but sometimes other trusts such as educational trusts or revocable living trusts are involved. These clients have typically been clients of the law firm for many years, often decades. The Adviser usually directly manages the assets of the trust in accordance with the terms of the trust instrument and the intent of the grantor, or in a few cases selects and supervises other financial managers. These services are deemed discretionary.

The Adviser is a graduate of Yale University (B.A. degree) and University of Virginia School of Law (LLB degree), where he was Associate Editor of the International Law Review. He practiced trust and estate law with the Wall Street law firm of Sherman & Sterling before practicing with Dunton, Simmons & Dunton, LLP since 1967.

While he employs investment managers for some trusts of which he is co-trustee, in most trusts of which he is sole trustee the Adviser manages the trust directly, thus reducing expenses chargeable to the trust. Occasionally the Adviser provides advice to firm clients who are beneficiaries of trusts that he does not advise or to clients who are acting as co-trustees with professional trustees in order to assist the firm’s client in the performance of his or her duties as a co-trustee or to insure that the beneficiary is receiving proper performance by the professional trustee who has discretion. Advice to these clients are deemed non-discretionary services.

The advice provided by the Adviser to discretionary trusts and accounts are specifically tailored to each trust or account, as the terms of each trust and the needs of various beneficiaries or the grantor are by their natures different. Accordingly, each trust or account is individually designed and maintained, taking into account the needs, tax situation, tolerance for risks, and objectives sought by the client. Leverage, short selling, and options are not used in these trusts or accounts. However, when expressly authorized, options may be sold against

overweighted securities positions in order to increase income in the account, especially where the client has directed that positions be maintained in sizes larger than would be normal. In grantor type trusts, directions of the client are accepted, notwithstanding a lack of diversification.

As of January 1, 2018, the Adviser managed \$152,493,774 on a discretionary basis, and provided advice to non discretionary clients with respect to \$7,789,670 assets.

Morgan W. Alley, a partner in the firm of Dunton, Simmons & Dunton, LLP, assists the Adviser in analytical work relating to securities under consideration for purchase or sale and also in determining periodic performance of trusts and accounts managed by the Adviser. As such he is deemed a Supervised Person. Mr. Alley received his B.A. degree from Clemson University, where he was a valedictorian, and received his law degree from Washington & Lee University. The Supervised Person also operates independently of the Adviser as a Virginia Registered Investment Adviser, and acts as trustee of trusts with no involvement of the Adviser.

Neither the Adviser nor the Supervised Person solicits investment advisory business, nor do they advertise for investment advisory business. They do not solicit clients to be named as executor or trustee of their estates or trusts since the law firm believes that such solicitation is inappropriate. All fees received by Adviser are deposited to the general account of the law firm, none being withheld by the Adviser as advisory fees. Investment advisory services are incidental to the practice of law.

## Fees and Compensation

In general, the following fee schedule is applied to all trusts and accounts accepted by the Adviser and is billed quarterly in arrears:

### First Million of Assets:

Debt investments	.667 of 1% of principal
Equity investments	1% of principal

### Second Million of Assets:

Debt investments	.333 of 1% of principal
Equity investments	.5 of 1% of principal

### Over \$2,000,000:

Debt investments	.167 of 1% of principal
Equity investments	.25 of 1% of principal

The value of assets is determined at the end of each calendar quarter and one quarter of the annual fees will be calculated using end of quarter values and will be billed in arrears at that time. Fee statements, showing calculations, will be sent to the client before being sent to the custodian for payment if the client has authorized payment by the custodian.

Time will be kept and reviewed annually. Where time substantially exceeds annual fees paid, the excess may be billed to the trust. Any out-of-pocket expenses required in trust administration will be billed to the trust. If unusual functions are involved (for example, care of incompetents, managing a business, or sale of difficult to sell assets), fees may be larger than specified in the schedule. In very unusual cases, time may be charged in lieu of the above schedule.

Trusts or accounts having a value of less than \$1,000,000 are ordinarily not accepted, but exceptions may be made for family members. Family aggregation computations are permitted in appropriate circumstances in determining fees. The above fees include trustee's legal responsibilities as well as investment advice for both revocable and irrevocable trusts.

All assets must be held by an independent custodian that will charge its fees directly to the client's account. Reports are rendered by the custodian directly to the client on a quarterly basis unless other reporting times are requested by the client. Trust tax returns are prepared by a tax attorney in the firm of Dunton,

Simmons & Dunton, LLP and fees for the tax service are billed separately at the time that the returns are prepared and forwarded to the client.

Services may be terminated by the Adviser or the client at any time, but it is requested that thirty days' notice be provided in either case.

The Adviser receives no fees in connection with the purchase or sale of securities. Arrangements have been made with various brokers for reduced fees based on size of orders. Fees vary from 5 cents to 3 cents per share, depending on the size of the order, and are paid by the custodian from the trust account. Where practicable, orders are blocked for multiple accounts or trusts to reduce the cost of transactions for each participating trust or account. Mutual funds are occasionally used for special purposes (such as participating in emerging markets, small cap investing, etc.) but funds are selected with no loads and low expense ratios or exchange traded funds are used. In any case there is no fee payable to the Adviser in connection with the use of such funds. Thus, no commissions or markups are charged to clients by the Adviser. Brokers are selected based on skill at execution and low level of costs for the transaction unless the client directs that a specific broker be used and that the broker have custody of the assets, in which case brokerage fees and markups may not be governed by the above noted practices.

### **Performance-Based Fees and Side-By-Side Management**

Adviser does not receive performance-based fees, nor does he engage in Side-By-Side Management.

### **Types of Clients**

In the great majority of cases the Adviser acts as trustee of trusts of clients who have been long time clients of the law firm. Occasionally the Adviser provides discretionary management of an IRA or 401(k) account of a law firm client or family member.

## Methods of Analysis, Investment Strategies, and Risk of Loss

The first step is to determine the appropriate asset allocation for the client, based upon intensive interviews and knowledge of the client's income and liquidity needs and ability to accept investment risks. General targets for amounts of fixed income and equities are established, and occasionally targets are directed to sub-categories of equities such as small cap investing and foreign investing.

Fixed income investments are normally organized in a ladder of bond maturities extending five to fifteen years, with approximately the same amount becoming due each year. Non callable bonds are used where possible, and bonds must have a rating of A or better when purchased. In appropriate circumstances, bonds retaining investment grade status by at least one rating agency may be held, although downgraded from a credit rating of A or better. Bonds are reviewed several times a year to insure continuation of bond credit quality. If a bond rating falls below A after purchase, it may be retained if the maturity is fairly near and if default is thought to be unlikely prior to the scheduled maturity. Preferred stocks and bond funds, with perpetual maturities, are not usually used unless the client so directs or unless individual bonds cannot be obtained at reasonable yields. This method is designed to reduce interest rate risk and to produce orderly liquidity. Tax planning is undertaken to determine the optimum levels of tax exempt bonds required for maximum tax benefit. Bonds with maturities longer than 15 years or bond funds may be held if "put" provisions are included or if received at the time of the opening of the account.

For equity investing, a macro analysis is undertaken to establish areas of avoidance and over weighting. However, stocks within favored areas are individually selected on the basis of fundamental analysis of the issuer, with a rigorous review of the balance sheet to insure high degree of financial strength and a review of earnings growth trends and other data in order to determine quality of management. Adviser seeks to identify companies which have recognized leadership positions in their respective industries and which would be difficult to displace by competitors. Substantial diversification is sought, with single issues seldom larger than 10% of the portfolio, except where the client specifically directs. Most investments are made in large and mid cap stocks where there is ample information available to monitor the company's performance on a regular basis. Stocks are bought and sold based on valuation studies, including the relationship of the price earnings ratio to the anticipated growth rate. When stocks continue to perform as expected without excessive valuation, they may be held for long periods, thereby reducing capital gain tax consequences to the portfolio.



Cash reserves of less than 10% are preferred. No attempt to time the market is made by the Adviser, although when equities become excessively valued as a group, they may be reduced and bonds purchased in order to adhere to the asset allocation formula. Likewise, when equities are relatively inexpensive, they may be increased to adhere to the agreed upon asset allocation target. Occasionally, when bond yields are unusually low, conservative equities with high and relatively stable dividends may be used as bond substitutes for a limited portion of the normal bond allocation.

It is explained to clients that risk of loss exists in either equity or fixed income investing. With respect to equity investing individual investments are reviewed when clients accept our invitation for a personal visit. Risk of loss in bonds is explained not only as credit risk, but also interest rate risk, on longer denominated bonds.

### **Disciplinary Information**

The Adviser has no disciplinary record, has not been found liable in an arbitration claim, nor has the Adviser been involved in a civil proceeding, self-regulatory organization proceeding, or administrative proceeding. It is believed that the Supervised Person can make the same representation.

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

Adviser uses Morgan W. Alley, a partner in his law firm, to provide certain analytical work relating to companies being considered for stock or bond investment and performance reports. Mr. Alley is registered with the Commonwealth of Virginia as a financial adviser. Mr. Dunton and Mr. Alley are both partners of Dunton, Simmons & Dunton, LLP, of White Stone, Virginia 22578.

From time to time Adviser has recommended other advisers to existing clients but receives no compensation from such other advisers for such referrals.

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

As attorneys, the Adviser and the Supervised Person are bound by the ethical standards set forth in the Rules of Professional Conduct of the Virginia State Bar. Most of the rules provide higher ethical standards than those promulgated by the Securities and Exchange Commission and other governing bodies. However, to ensure compliance with the ethical standards set forth by the various governing bodies, the Adviser has adopted a code of ethics that any client may receive upon request. The code of ethics includes, but is not limited to, such topics as confidentiality, integrity, trading rules to minimize conflicts of interest, and the safekeeping of client information.

Adviser does not recommend to clients any security in which the Adviser or any related person has a material financial interest.

Adviser will from time to time buy or sell securities for his personal account or accounts of his family members that are being bought or sold on behalf of clients. However, clients transactions always take priority to trades on behalf of Adviser or his family. When an order cannot be filled in its entirety, the orders for Adviser and his family are deferred. Clients benefit by the addition of shares in a particular blocked trade as it reduces overall costs for all concerned, based on lower commissions for larger trades.

## **Brokerage Practices**

Unless the client instructs the Adviser to use a specific broker or group of brokers, the Adviser uses a number of brokers to place security trades. The Adviser typically utilizes the least expensive method of trading with respect to equities, or the broker providing the best price with respect to fixed income investments. Whenever the opportunity arises, the Adviser aggregates trades for clients to reduce overall transactions costs. The Adviser has no incentive to prefer any broker over another except to the extent it receives lower transaction costs, better prices, or superior service.

We request, and occasionally receive, research information through various brokers but no soft dollar benefits are involved. Research provided by brokers is that available to all brokerage customers.

Although we advise against it, we on occasion have permitted a client to direct brokerage where the client insists that such be done. We explain the limitations and additional cost that may be involved in such directed brokerage by the client.

## **Review of Accounts**

Adviser reviews client accounts on a continuing basis, always conducting a thorough portfolio review at least quarterly. Additionally, if a material change occurs in connection with a security held by one or more clients, the accounts of all clients holding said security are reviewed. In addition, if we become aware of a change in the ability of a client to accept risk we review that client's entire account to adjust risk accordingly. Finally, if additional funds are received for investment, the client's entire account is reviewed to determine the most appropriate place to add securities.

Written reports are prepared for each client on a quarterly basis unless the client prefers to receive semi-annual or annual reports. Reports contain a review of market conditions, an analysis of the performance of the equities, a discussion of the income and disbursements made from the trust, and a review of the asset allocation. These reports also discuss expectations for the macro economic situation in the future as well as inviting discussion from the client.

## **Client Referrals and Other Compensation**

Adviser does not compensate any person or entity for client referrals, nor does anyone who is not a client provide an economic benefit to him for investment advice.

## **Custody**

The SEC deems any trustee as having "custody". However, Adviser does not maintain actual custody of client funds or securities, but insists that qualified independent custodians hold such funds and securities and that such custodians send reports directly to clients quarterly or more frequently as requested by the clients.

## **Investment Discretion**

As trustee the Adviser has general investment discretion. This is explained to the client. In the case of a grantor trusts, the grantor may retain authority to limit the trustee's general discretion and may give directions to the trustee to take specific actions. In other accounts, such as irrevocable trusts or IRA accounts, Adviser has investment discretion.

## **Voting Client Securities**

Unless otherwise directed by the client, Adviser typically votes proxies as recommended by management except where a major transaction is pending, such as a merger or acquisition. In those cases the details are reviewed by the Adviser and voted in accordance with his best judgment to benefit the interest of the client. Any client may obtain information regarding how proxies were voted by requesting said information from the Adviser. Clients may also receive a copy of the Adviser's voting policies and procedures upon request.

## **Financial Information**

Not applicable.