

# Gratus Wealth Advisors, LLC

**Form ADV Part 2A  
Firm Brochure  
March 8, 2024**

This Brochure provides information about the qualifications and business practices of Gratus Wealth Advisors, LLC. If you have any questions about the contents of this Brochure, please contact us at (757) 909-5505, or via e-mail at [cline@gratusadvisors.com](mailto:cline@gratusadvisors.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.

Gratus Wealth Advisors, LLC is a registered investment advisory firm. Registration of an investment advisory firm does not imply a particular level of skill or training.

Additional information about Gratus Wealth Advisors, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Gratus Wealth Advisors, LLC

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**ITEM 2****Material Changes****Annual Update**

The Material Changes section of this brochure will be updated annually or when material changes occur since the previous release of our Firm Brochure. This Item discusses only specific material changes made to this Brochure and provides our clients with a summary of such changes.

**Material Changes since the Last Update**

Gratus Wealth Advisors, LLC is a newly registered investment advisory firm in 2023.

**Full Brochure and Additional Information**

Full Brochure and additional information about Gratus Wealth Advisors, LLC are available via the SEC's website, [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's website also provides information about any persons affiliated with us who are registered or are required to be registered as investment adviser representatives ("IAR").

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## Advisory Business

### FIRM INFORMATION

Gratus Wealth Advisors, LLC ("Gratus," "we," "us," "our"), formed in November 2011, is a registered investment advisory firm located in Virginia Beach, VA. We have been a registered investment advisory firm since 12/4/2023.

### PRINCIPAL OWNERS

Gratus is owned and controlled by Cline Reasor and Chad Williamson. Cline Reasor is the Chief Compliance Officer.

### INVESTMENT ADVISORY SERVICES

#### Asset Management Services:

We provide asset management services in which we manage your custodial accounts and provide you with continuous and ongoing supervision of your custodial accounts. Our services provide additional investment opportunities among stocks, bonds, mutual funds, exchange-traded funds (ETFs), and variable annuities.

We use a third-party platform to facilitate the management of held-away assets, such as defined contribution plan participant accounts, with discretion. The platform allows us to avoid being considered to have custody of Client funds since we do not have direct access to Client log-in credentials to affect trades. We are not affiliated with the platform in any way and receive no compensation from them for using their platform. A link will be provided to the Client, allowing them to connect an account(s) to the platform. Once Client account(s) is connected to the platform, Gratus will review the current account allocations. When deemed necessary, Gratus will rebalance the account considering client investment goals and risk tolerance, and any change in allocations will consider current economic and market trends. The goal is to improve account performance over time, minimize loss during difficult markets, and manage internal fees that harm account performance. Client account(s) will be reviewed at least quarterly, and allocation changes will be made as deemed necessary.

#### Financial Planning and Consulting Services:

We provide various financial planning and consulting services that find ways to help you understand your overall financial situation and help you set financial objectives. Generally, such financial planning and consulting services will involve preparing a financial plan or rendering a financial consultation based on your financial goals and objectives. We will summarize our services to you in a written plan, which will typically include general recommendations for a course of action or specific actions to be taken by you. Implementation of the recommendations will be at your discretion.

#### Ongoing Financial Planning and Consulting Services

Upon completion of the client's financial plan or consulting engagement, we will revisit all or some of the following areas of analysis: financial goals, planning tax strategies, asset allocation, risk management, retirement planning, and other areas and objectives such as budgeting, education planning, cash flow planning, charitable planning, lines of credit analysis, insurance analysis, business financial planning, mortgage/debt analysis, and real estate analysis throughout the course of a year via scheduled meetings,

calls, or follow-up emails to ensure that the initial recommendations in the financial plan or consulting engagement are implemented or to make adjustments to the Client's financial plan and/or the Client's objectives.

#### **Retirement Plan Consulting Services:**

We provide advisory services to plan sponsors of employer-sponsored retirement plans for which it has been specifically engaged, in addition to supporting affiliated companies through other non-advisory services to retirement plans for corporations and other business entities as a 3(21) and 3(38) fiduciary. Such advisory services can include selection and/or de-selection and replacement of individual investment options pursuant to agreed investment criteria.

In choosing and monitoring investment options for employer-sponsored retirement plans, we look for reliable fund companies that have a consistent track record and steady performance. Once a fund company is identified for possible selection for a particular retirement plan product, we conduct an in-depth review of the company's operations, funds, and personnel before determining if the company's funds are investment options. Quantitative and qualitative factors, such as regional exposure, fund management, and asset size/growth, are also evaluated. The fund companies are monitored on a continuous basis at the firm level. We will assist in the construction of the portfolio by ensuring that all core asset classes are covered to offer full diversification opportunities. However, the final decision of which funds to select is up to the plan sponsor and/or consultant.

#### **TAILORED INVESTMENT ADVISORY SERVICES AND RESTRICTIONS**

Gratus offers the same suite of services to all our clients; however, specific recommendations and their implementation are dependent upon the individual client's current financial situation, such as income, net worth, and risk tolerance levels.

On a case-by-case basis, our clients can impose restrictions on investing in certain securities or types of securities in accordance with their values or beliefs. However, if the restrictions prevent us from properly servicing the client's account or if the restrictions require us to deviate from our standard suite of services, we reserve the right to end the relationship.

We can request additional information and documentation, such as current investments, tax returns, insurance policies, and estate plans. We will discuss your investment objectives, needs, and goals, but you must inform us of any changes. Unless directed by you, we do not independently verify any information provided to us by you or your attorney, accountant, or other professionals.

#### **WRAP FEE PROGRAMS**

Gratus offers a wrap fee program as described in Part 2A, Appendix 1 (the "Wrap Fee Program Brochure") of our Brochure. Our wrap fee and non-wrap fee accounts are managed on an individualized basis according to the client's investment objectives, financial goals, risk tolerance, etc. Generally, we do not manage wrap fee accounts in a different fashion than non-wrap fee accounts; however, certain client accounts can be managed differently based on the size and nature of the account and/or the client's investment objectives and risk tolerance.

In our Wrap Fee Program, your fee is bundled with our costs for executing transactions in your account(s). This can result in a higher advisory fee for you. We do not charge our clients higher advisory fees based on their trading activity, but you should be aware that we have an incentive to limit our trading activities in your account(s) because we are charged for executed trades. By participating in a wrap fee program,

you can end up paying more or less than you would through a non-wrap fee program where a lower advisory fee is charged, but trade execution costs are passed directly through to you by the executing broker.

## **ASSETS UNDER MANAGEMENT**

As of February 29, 2024, Gratus manages \$624,000,000 on a discretionary basis only.

### **ITEM 5**

## **Fees and Compensation**

### **ANNUAL FEES FOR ADVISORY SERVICES**

Gratus is compensated for providing asset management services by charging a negotiable fee based on the total assets under management. The maximum annual fee to be charged to the client's account(s) will not exceed 1.35%. The fee to be assessed to each account will be detailed in the client's signed advisory agreement with Gratus. In rare cases, our firm will agree to direct bill clients. As part of this process, Clients understand the account custodian will send statements at least quarterly, showing all disbursements for each account, including the amount of the advisory fees paid to us.

All fees are agreed upon before entering the Financial Planning and Consulting Agreement you sign. We may charge a flat fee, an hourly fee, or an ongoing annual fee for financial planning or consulting services. Flat fees as well as Annual Ongoing Fees will not exceed \$50,000. Hourly fees will range from \$0.00 to \$500 per hour. Annual ongoing fees will be subject to consultation with the client and the complexity of the ongoing engagement. The total estimated fee, as well as the ultimate fee that we charge you will be based on the scope and complexity of our engagement with you and could vary from fees charged to other clients of the firm. The fee to be assessed and payment arrangements will be detailed in an agreement to be signed by you. We may waive the agreed-upon financial planning fees if you engage our asset management services.

Fees for retirement plan services are negotiated before the signing of the Retirement Plan Advisory and Consulting Agreement. The agreement language includes the negotiated fee, which is charged as a percentage of the total retirement plan assets. The maximum fee to be charged to the client's account(s) will not exceed 1.35%. The fee to be assessed to each account will be detailed in the client's signed advisory agreement with Gratus.

### **FEE BILLING & PAYMENT**

Our asset management fees are annual fees and are negotiable. Asset management fees are paid quarterly in advance. Payments are due on the first day of the calendar quarter and are based on the account's asset value as of the last business day of the prior calendar quarter multiplied by the applicable annual rate and divided by four (4). The fee for the subsequent quarter is billed and payable within ten (10) days after the end of the prior quarter. We will deduct our asset management fee only when in receipt of your written authorization by executing an investment advisory agreement permitting the fees to be paid directly from your account. The qualified custodian will deliver an account statement to you at least quarterly, which will show all disbursements from your account. We urge you to review all statements for accuracy. Your account at the custodian can also be charged for certain additional assets managed for you by us but not held by the custodian (i.e., variable annuities, mutual funds, 401(k)s).

Financial Planning Fees may be assessed on an hourly basis, as a one-time flat fee, or as an annual fee payable monthly, quarterly, or semi-annually. Hourly fees will be invoiced upon completion of the financial plan or the rendering of consulting services with a thirty (30) day written notice. In all cases, we will not require a fee exceeding \$1,200 when services cannot be rendered within 6 months.. Financial planning and consulting fees are paid via check or by direct invoicing via an electronic payment processor.

Retirement plan consulting fees will be billed on a quarterly basis, in advance quarterly, due within thirty (30) days after the date of invoice unless otherwise agreed to by the parties. The fee will either be billed directly to the plan sponsor or paid directly from the plan assets if authorized by the plan fiduciary.

You are responsible for all third-party fees (i.e., custodian fees, mutual fund fees, transaction fees, etc.). These fees are separate and distinct from the fees and expenses charged by Gratus.

### **TERMINATION OF AGREEMENT**

Either party can terminate the agreement by providing a 30-day advance written notice. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable up to and including the effective date of termination.

Notwithstanding the above, if we do not deliver the appropriate disclosure statement to you at least 48 hours prior to you entering into any written or oral advisory contract with us, then you have the right to terminate the contract without penalty within five (5) business days after entering into the contract.

### **OTHER EXPENSES AND FEES**

The fees discussed above include payment solely for the investment advisory services provided by us and are separate from certain fees or charges that are imposed by third parties in connection with investments made on your behalf for your account. Third-party fees can include markdowns, markups, brokerage commissions, other transaction costs, and/or custodial fees.

All fees paid to us for asset management services are separate from the expenses charged by exchange-traded funds and mutual funds to their shareholders. These fees and expenses will be used to pay management fees for the funds, other fund expenses, account administration, and a possible distribution fee. Exchanged traded funds and mutual funds can be invested directly by you without our services. However, you would not receive our services to assist you in determining which products or services are most suitable for your financial situation and objectives. You should review both the fees we charge and the fees charged by the fund(s) to understand the total fees to be paid fully.

Please refer to Item 12 of this brochure for a more detailed explanation of brokerage practices.

### **OTHER COMPENSATION**

Certain of our associated persons are also licensed insurance agents. In this capacity, the IARs can recommend insurance, advisory, or other products and receive normal insurance commissions if products are purchased through the IAR(s) in this capacity. Thus, a conflict of interest exists between the interests of these individuals and those of the advisory clients, creating an incentive for the IAR(s) to recommend products based on the compensation received rather than on a client's needs. However, clients are under no obligation to act upon any of these recommendations. Although our recommendations can include products offered by third parties, these recommendations are not limited to such products, as all financial

planning advice provided is of a generic nature. Clients have the option to purchase insurance products recommended by the IAR through other agents not affiliated with our firm. Please refer to Item 10 of this Brochure for a more detailed explanation of how our firm handles and mitigates these conflicts of interest.

## ITEM 6

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

We do not charge any performance-based fees, which are fees based on a share of capital gains or capital appreciation of your assets.

## ITEM 7

### Types of Clients

We provide our investment advisory services to:

- Individuals
- High Net Worth Individuals
- Non-Profit Organizations
- Corporations
- Other business entities

Our minimum account size requirements for opening an account with us are as follows:

\$1,000,000 Assets Under Management or \$2,500 quarterly fee.

## ITEM 8

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

#### METHODS OF ANALYSIS

We use various methods of analysis and investment strategies, including the following:

**Fundamental Analysis** – We evaluate economic and financial factors to determine if a security can be underpriced, overpriced, or fairly priced. This method entails assessing security by attempting to determine its intrinsic value by examining related financial, economic, and other qualitative and quantitative factors. Fundamental analysis requires an in-depth look at all factors that can affect the security's value, from macroeconomic factors (like the overall economy and industry conditions) to individually specific factors (like the financial situation and management of companies). The overall objective of performing the fundamental analysis is to determine a value that an investor can use to determine what sort of position to take with that security. This method of security analysis is contrary to technical analysis. Fundamental analysis involves using real data to evaluate a security's value. Although most analysts use fundamental analysis to value stocks, this method of valuation can be used for just about any type of security.

Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock. Therefore, unforeseen market conditions and/or company developments can result in significant price fluctuations that can lead to investor losses.

**Modern Portfolio Theory** - Modern portfolio theory (MPT) is a risk-averse theory that involves the construction of portfolios to maximize and optimize expected return based on a given level of market risk, emphasizing that risk is an inherent part of higher reward. According to the theory, it's possible to construct an "efficient frontier" of optimal portfolios offering the maximum possible expected return for a given level of risk.

MPT tries to understand the market as a whole and measure market risk in an attempt to reduce the inherent risks of investing in the market. However, with every financial investment strategy, there is a risk of a loss of principal. Not every investment decision will be profitable, and there can be no guarantee of any level of performance.

## INVESTMENT STRATEGIES

When formulating investment advice or managing client assets, we will use the following investment strategies. There are inherent risks associated with each of these strategies.

**Long-Term Strategy** - A long-term strategy cannot take advantage of short-term gains or can experience more volatility over the life of the portfolio.

**Short-Term Strategy** – A short-term strategy involves the purchase of securities with the idea of selling them within a relatively short time, typically a year or less. This strategy is done in an attempt to take advantage of conditions that result in market fluctuations in the securities purchased.

Your accounts are managed separately with your underlying investment strategies, restrictions, or investment limitations defined within the investment management agreement.

## POTENTIAL RISKS

Investing involves different levels of risk that can result in the loss of any profits and/or principal you have not realized. We manage your account in a manner consistent with your pre-determined risk tolerance and suitability profile. However, we cannot guarantee that our efforts will be successful. Investing in securities involves the risk of loss that clients should be prepared to bear.

**Investing involves the assumption of risk, including:**

**Financial Risk:** this is the risk that the companies we recommend to you perform poorly, which affects the price of your investment.

**Market Risk:** this is the risk that the stock market will decline, decreasing the value of the securities we recommend to you with it.

**Inflation Risk:** this is the risk that the rate of price increases in the economy deteriorates the returns associated with the stock.

**Political and Governmental Risk:** this is the risk that the value of your investment will be affected by the introduction of new laws or regulations.

**Interest Rate Risk:** this is the risk that the value of the investments we recommend to you will fall if interest rates rise.

**Call Risk:** this is the risk that your investment will be called or purchased back from you when conditions are favorable to the bond issuer and unfavorable to you.

**Default Risk:** this is the risk that the issuer is unable to pay the contractual interest or principal on the investment promptly or at all.

**Manager Risk:** this is the risk that an actively managed mutual fund's investment adviser will fail to execute the fund's stated investment strategy.

**Industry Risk:** this is the risk that a group of stocks in a single industry will decline in price due to adverse developments in that industry, decreasing the value of mutual funds that are significantly invested in that industry.

**Short-Term Purchases:** Short-term purchases can incur more trading and brokerage costs in the form of increased commissions and transaction costs and increased tax obligations on the gains of a security's value. A short-term strategy runs the risk that certain anticipated market movements do not occur, resulting in the client holding a security for longer than intended.

## ITEM 9

### Disciplinary Information

As of the date of this brochure, we have not been subject to any disciplinary, legal, or regulatory events related to past or present investment clients. There have been no disciplinary, legal, or regulatory events related to us or any of our management persons.

## ITEM 10

### Other Financial Activities and Affiliations

#### FINANCIAL INDUSTRY ACTIVITIES

Gratus is not registered nor has an application pending to register as a broker-dealer or a registered representative of a broker-dealer.

Gratus's management persons are registered representatives of PKS, an unaffiliated registered broker-dealer.

Neither Gratus nor its management persons are registered or have an application pending to register as a futures commission merchant, commodity pool operator, or commodity trading advisor.

#### AFFILIATIONS

Certain associates of the firm are also registered representatives, licensed to sell securities. As a registered representative of an unaffiliated broker-dealer, he or she can earn additional compensation in the form of commissions for the sale of general securities products such as stocks, bonds, mutual funds, exchange-traded funds, and a variable annuity to investment advisory clients. As such, your IAR can suggest that you implement investment advice by purchasing securities products through a commission-based account introduced through our unaffiliated broker-dealer in addition to an investment advisory account. In the event that you elect to purchase these products through our unaffiliated broker-dealer, your investment adviser, in the capacity as a registered representative, and our unaffiliated broker-dealer will receive the standard and customary commission compensation in connection with the particular product purchased.

Certain associates of the firm are also insurance agents licensed to sell insurance products. A conflict of interest exists in that these services pay a commission, which conflicts with the IAR's fiduciary duties. Gratus does not require its IARs to encourage clients to implement investment advice through our insurance product recommendations. Clients have the right to implement insurance product

recommendations through the insurance agency and agent of their choice. We require that all IARs disclose this conflict of interest when such recommendations are made. We also require IARs to disclose that the client has the right to purchase recommended products from individuals not affiliated with us.

#### **SELECTION OF OTHER INVESTMENT ADVISERS**

We do not recommend or select other investment advisers for our clients.

### **ITEM 11**

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

#### **CODE OF ETHICS**

Gratus has developed a code of ethics that will apply to all of our supervised persons. We and our IARs must act in a fiduciary capacity when providing investment advisory services to you. As a fiduciary, it is an investment adviser's responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each of our clients at all times. Gratus has a fiduciary duty to all clients. This fiduciary duty is considered the core underlying principle of our code of ethics, which also covers our insider trading and personal securities transactions policies and procedures. We require all of our supervised persons to conduct business with the highest level of ethical standards and to comply with all federal and state securities laws at all times. Upon employment or affiliation and at least annually thereafter, all supervised persons will acknowledge that they have read, understand, and agree to comply with our Code of Ethics.

Our Code of Ethics is available to clients and prospective clients upon request.

#### **RECOMMENDATIONS INVOLVING A MATERIAL FINANCIAL INTEREST**

Neither we nor any related person recommend to clients or buys or sells for clients' accounts securities in which we or a related person has a material financial interest.

#### **PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS**

There are instances where an IAR will recommend to investment advisory clients or prospective clients the purchase or sale of securities in which an IAR, its affiliates, or other clients can also have a position or interest. Certain affiliated accounts can trade in the same securities with client accounts on an aggregated basis. Generally, in such circumstances, the affiliated and client accounts will share execution costs equally. Completed trade orders will be allocated according to the instructions from the initial trade order. Partially filled trade orders will be allocated on a pro-rata basis. Any exceptions will be explained in the trade order.

#### **PERSONAL TRADING**

Employees are permitted to have personal securities accounts as long as personal investing practices are in line with fiduciary standards and regulatory requirements and do not conflict with their duty to Gratus and our clients. Gratus monitors and controls personal trading through pre-approval of all personal securities transactions or blackout periods imposed upon employees trading in the same securities as Gratus. We forbid any officer or employee, either personally or on behalf of others, to trade on material, nonpublic information or communicate such information to others in violation of the law.

**ITEM 12****Brokerage Practices**

Gratus currently has arrangements with Charles Schwab Corporation (Schwab). Schwab is the unaffiliated, qualified custodian, whereby Gratus would suggest you custody your accounts. Schwab is an independent SEC-registered broker-dealer and a member of FINRA and SIPC.

As fiduciary, we are obligated to seek out the best execution of client transactions for accounts that we manage. In general, the execution of securities transactions is at a total cost to process each transaction and is the most favorable under the circumstances. However, we do not limit the best execution to the lowest available price. Additional factors are taken into consideration when determining the arrangement and services in the selection of a broker-dealer or qualified custodian. Our review consists of reviewing the commission and fee structures of various broker-dealers, research platforms, and execution services. Accordingly, while we consider competitive rates, we do not necessarily obtain the lowest possible commission rates for account transactions. Therefore, the overall services provided by unaffiliated broker-dealers and qualified custodians are evaluated to determine the best execution. You can pay trade execution charges and higher commissions through the trading platforms approved by us than through platforms that have not been approved by us.

**RESEARCH AND OTHER BENEFITS****Products & Services Available to Us from Schwab**

Schwab Advisor Services (formerly called Schwab Institutional) is Schwab's business serving independent investment advisory firms like ours. 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 clients' accounts, while others help us manage and grow our business. Schwab's support services are generally available on an unsolicited basis and at no charge to us as long as we maintain a total of at least \$10 million of our client's assets in accounts at Schwab.

**Services that Benefit Client**

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 clients or their account(s).

**Services that May Not Directly Benefit Clients**

Schwab also makes available to us other products and services that benefit us but cannot directly benefit the client or their account(s). These products and services assist us in managing and administering our clients' accounts. They include investment research, both Schwab's own and that of third parties. We can use this research to service all or some 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:

- provides access to client account data (such as duplicate trade confirmations and account statements);
- facilitates trade execution and allocates aggregated trade orders for multiple client accounts;

- provides pricing and other market data;
- facilitates payment of our fees from our clients' accounts; and
- Assist with back-office functions, recordkeeping, and client reporting.

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

- educational conferences and events
- technology, compliance, legal, and business consulting;
- publications and conferences on practice management and business succession; and
- access to employee benefits providers, human capital consultants, and insurance providers.

Schwab can provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab can also discount or waive its fees for some of these services or pay all or a part of a third party's fees.

Irrespective of direct or indirect benefits to our clients through Schwab, we strive to enhance the client's experience, help them reach their goals, and put their interests before that of our firm or its associated persons.

### **BROKERAGE FOR CLIENT REFERRALS**

We do not receive client referrals from broker-dealers.

### **DIRECTED BROKERAGE**

We do not recommend, request, require, or permit clients to direct us to execute transactions through a specific broker-dealer other than those we recommend.

### **TRADE AGGREGATION**

We attempt to allocate trade executions in the most equitable manner possible, taking into consideration current asset allocation and availability of funds using price averaging, proration, and consistently non-arbitrary methods of allocation. We can aggregate orders in order to obtain the best execution, negotiate more favorable commission rates, or allocate equitably among our clients' differences in prices and commission or other transaction costs. In aggregated orders, transactions will be price-averaged and allocated among our clients in proportion to the purchase and sale orders placed for each client account on any given day.

## **ITEM 13**

## **Review of Accounts**

### **REGULAR REPORTS**

Asset management clients will receive advisory account reports no less than quarterly. These reports show asset value by cash balances, security, unit cost, total cost, current per-share values, etc. Clients are encouraged to phone or e-mail us as often as they deem necessary to receive information regarding the investment tactics and strategies being followed.

Financial plans created utilizing our ongoing financial planning services will receive status updates and/or reports during plan reviews. We can make adjustments to the Client's financial plan and/or the Client's objectives.

Retirement plan clients can create and/or review the plan's Investment Policy Statement ("IPS"). The plan client can also receive quarterly written reports evaluating the performance of the plan's investments as well as comparing the performance thereof to benchmarks set forth in the IPS or as otherwise determined in our judgment. The information used to generate the reports will be derived from statements provided by the plan fiduciary or third party. This review will include a quantitative and qualitative analysis of investment selections included within the plan and provide third-party commentary on investment options whenever available.

The plan client may also receive quarterly written reports evaluating the performance of the plan's investments as well as comparing the performance thereof to benchmarks or as otherwise determined in our judgment. The information used to generate the reports will be derived from a third party.

#### ITEM 14

### Client Referrals and Other Compensation

We 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. In addition, Schwab has also agreed to pay for certain products and services for which we would otherwise have to pay once the value of our client's assets in accounts at Schwab reaches a certain size. [In some cases, a recipient of such payments is an affiliate of ours or another party that has some pecuniary, financial, or other interests in us (or in which we have such an interest). You do not pay more for assets maintained at Schwab as a result of these arrangements. However, we benefit from the arrangement because the cost of these services would otherwise be borne directly by us. You should consider these conflicts of interest when selecting a custodian. The products and services provided by Schwab, how they benefit us, and the related conflicts of interest are described above (see Item 12 – Brokerage Practices).

While we do not have any current arrangements with any TPMMs (Third Party Money Managers), at such time that we do, we will receive compensation based on the service they provide to our clients. Any such compensation arrangement will be formalized in an agreement and disclosed to our clients.

Please see Item 12, Brokerage Practices, for information regarding the benefits we receive from our custodian.

We do not pay a referral fee to third-party promoters.

#### ITEM 15

### Custody

We are deemed to have custody of client funds and securities due to our ability to deduct management fees from clients' accounts. We will not take physical custody of clients' funds and will not assign or transfer trading authorization to another advisor. Clients will receive account statements from the qualified custodian(s) holding their funds and securities at least quarterly. The custodian's account statements will indicate the amount of our advisory fees deducted from the client's account(s) each billing period. These statements should be carefully reviewed by the client for accuracy. Item 5 – Fees and Compensation has additional information regarding our ability to deduct management fees from clients' accounts.

We are deemed to have custody as a result of our Standing Letters of Authorization (“SLOA(s)”) to transfer funds from their account to third parties. In such instances where we act under such an SLOA, it is our policy to only initiate these transactions when directed by the client to transfer funds to a third party the client designates for a designated amount and at a designated time, all of their choosing. A surprise examination is not required in this circumstance where we are deemed to have custody due to SLOAs, as we are relying on the conditions set forth in the No-Action letter issued by the Securities and Exchange Commission on February 21, 2017. Pursuant to the conditions set forth in the No-Action Letter, we confirm that in those situations:

- you provide an instruction to the qualified custodian, in writing, that includes your signature, the third party’s name, and either the third party’s address or the third party’s account number at a custodian to which the transfer should be directed;
- you authorize us, in writing, either on the qualified custodian’s form or separately, to direct transfers to the third party either on a specified schedule or from time to time;
- the qualified custodian performs appropriate verification of the instruction, such as a signature review or other method to verify your authorization, and the qualified custodian provides a transfer of funds notice to you promptly after each transfer;
- you have the ability to terminate or change the instruction to the qualified custodian;
- we have no authority or ability to designate or change the identity of the third party, the address, or any other information about the third party contained in your instruction;
- we maintain records showing that the third party is not a related party of Gratus or located at the same address as Gratus and
- the qualified custodian sends you, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.

## **ITEM 16** Investment Discretion

### **DISCRETIONARY AUTHORITY FOR TRADING**

If you are participating in our asset management services, upon receiving your written authorization via our executed investment advisory agreement, we will maintain trading authorization over your designated account and can also implement trades on a discretionary basis.

When discretionary authority is granted, we will have the limited authority to determine the type of securities to be purchased, sold, or exchanged and the number of securities that can be bought, sold, or exchanged for your portfolio without obtaining your consent for each transaction.

On a case-by-case basis, you can place reasonable restrictions on the types of investments that can be purchased or sold in your account so long as the restrictions are explicitly set forth or included as an attachment to the investment advisory agreement.

## **ITEM 17** Voting Client Securities

We do not have the authority to vote proxies as it pertains to the issuers of securities held in your account. The responsibility for voting your securities places increased liability on us and does not add enough value to the services provided to you to justify the additional compliance and regulatory costs associated with voting on your securities.

Therefore, you are responsible for voting all proxies for securities held in accounts managed by us. Typically, our qualified custodian will forward you your proxy information. Although we do not vote for your proxies, you can contact us if you have a question about a particular proxy.

## ITEM 18

## Financial Information

We are not required to include a balance sheet for our most recent fiscal year. We are not subject to a financial condition that is reasonably likely to impair our ability to meet contractual commitments to our clients.

We are currently not in, nor have we been historically, in a financially precarious situation or the subject of a bankruptcy petition.