

**Item 1 Cover Page**

**Long Road Investment Counsel, LLC**

**FORM ADV PART 2A  
FIRM BROCHURE**

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March 26, 2024

This brochure provides information about the qualifications and business practices of Long Road Investment Counsel, LLC. The information it contains has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. If you have any questions about its contents, please contact us at 269-488-8001.

We are a registered investment adviser. However, registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an adviser provide you with information about which you determine to hire or retain an adviser.

Additional information about Long Road Investment Counsel, LLC, is available on the SEC's web site at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2: Material Changes**

The purpose of this section is to summarize material changes that have been made to our Brochure since the last annual update made on March 23, 2023. We have no material changes to report since the last annual update.

As a reminder, we may at any time update our brochure and will either send you a summary of the changes we made or send you a complete copy, as may be required. If you would like another copy of this Brochure, you may download it from the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov), or you may contact us at 269-488-8001.

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## Item 4: Advisory Business

### INTRODUCTION

In this brochure, references to “we,” “us,” “our,” or “our firm” refer to Long Road Investment Counsel, LLC. Our firm’s clients and prospective clients are referred to as “you,” “your,” or “our clients.”

**This brochure contains important information. We encourage you to read it carefully and to ask questions if there is any information that you do not understand.** The format and content of this brochure have been prepared based on the instructions to Form ADV, Part 2A, which is prescribed for use by registered investment advisers under federal and state securities laws and related rules.

We are an investment advisor registered with the U.S. Securities and Exchange Commission and were established in April of 2014 by Charles D. Wattles who is the sole member and principal owner of our firm.

Mr. Wattles spent eighteen years at Arcadia Investment Management as an owner, portfolio manager, and securities analyst. Before that he spent twelve years at Fiduciary Counsel. He is a CFA. He earned his MBA and a BA from Grand Valley State University and his BA from Ripon College. As described in the brochure supplement, Mr. Wattles has substantial business experience involving financial and investment matters, including managing investment portfolios.

### INVESTMENT ADVISORY AND MANAGEMENT SERVICES

We provide discretionary investment management services to institutional and individual clients, which means investment decisions are made by us for your account without obtaining your prior permission for each investment. We do not manage assets on a non-discretionary basis.

Though we have discretionary management authority over your account, our investment management services are tailored to your specific needs, taking into consideration your unique investment objectives, risk tolerances, time horizon, tax considerations, liquidity needs, and other circumstances you describe to us. As a result, we require your active participation while we develop your investment policy statement or similar document. We do not verify the accuracy of the data you provide us. We assume that the information you provide is reliable and current. We may also request the names and relationships of other advisors that are important to you (e.g., attorney, accountant, banker, etc.).

After we evaluate your information, we generally prepare an investment policy statement or other similar document. This investment policy statement may include a

target asset allocation (spreading investments between a mix of stock investments and bond investments). We will consider various investment programs and strategies to assist you to meet your stated investment objectives. Once we agree upon an investment policy, we will prepare recommendations for investments or other segments of an investment plan that you may need. We will tailor our services to your needs and the Investment Management Agreement. We will accept and note investment restrictions in your investment policy statement if they are reasonable and as long as they do not hinder our ability to execute our investment strategies on your behalf. If you do impose such restrictions, you should be aware that they may result in your account not being as diversified as our other client accounts, which could cause your account to underperform or perform differently than other client accounts that are managed without such restrictions.

It is our intention to meet with you no less than annually. Each year, we will request current financial status information from you to determine if there have been any changes to your financial situation that you have not previously reported to us. *If you have a change in your financial situation, we urge you to contact us promptly as the new information may warrant a review or change in the investment strategies.*

Our investment recommendations fit within the context of your investment policy and typical investments are focused on equity securities of domestic, international, and global issuers, as well as corporate debt securities, certificates of deposit, municipal securities, mutual fund shares, and U.S. government and agency securities.

#### ASSETS UNDER MANAGEMENT

We manage client assets on a discretionary basis. As of December 31, 2023, we had \$284,039,000 of client assets under our management.

### **Item 5: Fees and Compensation**

We charge varying fees for investment management based on the initial market value of the assets held in your account as determined by your account's custodian. Our fee schedule is as follows:

.8% per year of the first \$1,000,000 in assets

.75% per year in the next \$4,000,000 in assets

.5% per year for the remaining assets

We may negotiate a different or varying fee arrangement with you depending on whether the account is of extraordinary size, the value of related accounts, the complexity of your portfolio management needs, or similar matters. Our investment management

agreement with you establishes the specific manner in which we charge fees. We reserve the right to waive fees for family members or decline services to any person or institution for any reason.

Generally, for clients who come to us from Mr. Wattles' previous firm, Arcadia Investment Management Corporation ("AIMC"), we will match the current advisory fees being charged their accounts at that firm.

We calculate and set your annual portfolio management fees once a year. Fees are then billed quarterly from the effective date of your account with us (the "account quarter") and payable in advance. At the onset of our engagement with you, we generally base our fees on the initial market value of the assets held in your account as determined by your account custodian's month-end valuation statement nearest the date of your investment management agreement with us. The following years' fee calculations are also based on the custodian's month-end valuation nearest to the anniversary date of the investment management agreement. We send fee invoices 10 days in advance of the end of the account quarter and they are due upon receipt.

Because we calculate and set your fee once per year as determined by the custodian's month-end valuation statement nearest the anniversary date of your investment management agreement, we do not adjust the quarterly billing to reflect either increases or decreases in the quarterly market value of your account as reflected on your custodial account statements. This means that, in any given account quarter, you may pay a quarterly fee that is more or less than the annualized percentage rate set at the annual calculation date. We also do not prorate our fees for additional investments or withdrawals of assets during the year unless the amount is substantial. We urge you to contact us in advance of making any withdrawals or investments in order to review the impact it may have on your portfolio.

#### DIRECT BILLING TO YOUR CUSTODIAN

In your investment management agreement, you may elect to be billed directly for our fees or authorize us to debit our fees automatically from your custodial accounts. If you authorize us to debit our fees from your accounts, the custodian's statements will show each fee deduction. You will also receive a detailed invoice from us for your review at least 10 days before we debit our fees. You may withdraw authorization for direct debiting of our fees from your account at any time by notifying us or your custodian in writing.

#### TERMINATION OF SERVICES

Either of us may terminate the investment management agreement upon written notice. Upon termination, we will have no further obligation with respect to your

account. You will remain responsible for any purchase or sales transaction for your account that occurred prior to the date of your written termination notice, but that has not yet settled or cleared. Any unearned portion of our portfolio management fees that you have paid us will be refunded to you promptly, less any amount required to satisfy any transaction related obligations. We will base the refund proration on the number of days elapsed in the quarterly billing cycle.

#### OTHER FEES AND EXPENSES

Our advisory fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which you may incur. Your account will separately pay for those services and will be reported to you on your custodian's account statements. You may incur certain charges imposed by custodians, brokers, third-party investment advisers, and other third parties such as: fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire and electronic funds transfer fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds ("ETFs") also charge internal management fees, which are disclosed in each fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to our fee. We do not receive any portion of these commissions, fees, and costs.

Consequently, for any type of mutual fund investment, including ETFs, it is important for you to understand that you are directly and indirectly paying two levels of advisory fees and expenses: one layer of fees at the fund level and one layer of advisory fees and expenses to us. Generally speaking, most mutual funds and ETFs may be purchased directly, without using our services and incurring our advisory fees.

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

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

### **Item 7: Types of Clients**

We provide investment management services to individuals, high net worth individuals, trusts, estates, and charitable institutions.

#### MINIMUM ACCOUNT SIZE

The minimum account size is \$1 million, but we reserve the right to waive that requirement at our discretion. Assets in related accounts may be grouped to satisfy the minimum account size requirement.

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

### **METHODS OF ANALYSIS**

We are an active investment manager and use a variety of methods and strategies to make investment decisions. We primarily rely upon fundamental research to determine a security's value. Fundamental analysis is a technique that attempts to determine a security's value by focusing on the economic well-being of a company, as opposed to movements of its market price. In the course of our analysis, we will review a company's financial statements and consider factors including, but not limited to, the company's historical financial condition, prior operating results and trends, its projected revenue growth, its competitive advantages and disadvantages, the anticipated demand for its current and future products or services, the age and nature of its assets, and other factors affecting the company's anticipated results from future operations. Past performance does not assure similar future performance. You should be aware that a company's fundamental value can be adversely affected by many factors unrelated to its actual operating performance.

We may also take into consideration whether a company's stock or the industry in which it operates is cyclical or not. Cyclical stocks or industries are affected by broad changes in our economy's business cycle. The value of cyclical stocks tends to move in the same direction as the economy, while the value of counter-cyclical stocks tends to move in the opposite direction.

We obtain information from a variety of sources, both public and by purchase, including financial newspapers and magazines, research materials prepared by third-parties, corporate rating services, annual reports, prospectuses, filings with the SEC, and company press releases. We also use a number of databases available to professional investment advisers by paid subscriptions. We believe these resources for information are reliable and regularly depend on them for making our investment decisions; however, we are not responsible for the accuracy or completeness of this information.

### **INVESTMENT STRATEGIES**

We are long-term, growth-oriented investors and buy securities with the hope of not selling for some years. Equity investments are centered on companies that have attractive qualitative and quantitative characteristics. Generally, the companies we seek for our clients' accounts are leaders within their industries, offer attractive products to their customers, and demonstrate a capacity to innovate with changing conditions. Additionally, fixed income investments are centered on investment grade issuers and terms of five or fewer years to maturity.



Both equity and fixed income investments involve a significant risk of loss of principal and unrealized profits. In either case, an investor's entire position could become valueless. There is no guarantee that we will achieve our expected objective.

## INVESTMENT RISKS

All investments in securities include a risk of losing your principal (invested amount) and any profits that you have not realized. You should be prepared to bear that risk. Stock markets and fixed-income markets fluctuate substantially over time and the performance of any investment is not guaranteed.

Our judgments about the attractiveness, value, and potential appreciation of a particular asset class or individual security may be incorrect, and there is no guarantee that the securities we select will perform as anticipated. Our estimate of value may be wrong or, even if our estimate is correct, it may take a long time before the price and value converge. As a result, there is a risk of loss in the value of the assets we manage that is out of our control. We seek to reduce your risk through diversification and active management. Although we will do our best in managing your assets, we cannot guarantee any level of performance or that you will not experience a loss in your assets. The following principal risks can also affect the value of your investment:

**General Market Risk:** The market price of a security may fluctuate, sometimes rapidly and unpredictably, in response to developments affecting individual companies and/or general economic conditions. These fluctuations may be temporary or last of extended periods, causing a security to be worth less than its cost when originally purchased or less than it was worth at an earlier time.

**Stock Selection Risk:** In addition to, or in spite of, the impact of movements in the overall stock market, the value of an account's investments may decline if the particular companies in which the account invests do not perform well in the market.

**Small- and Medium-Sized Company Risk:** Investing in securities of small- and medium-sized companies, even indirectly, may involve greater volatility than investing in larger and more established companies.

**Investment Management Risk:** We may fail to implement the investment strategies and/or meet an account's investment objectives.

**Foreign Securities and Emerging Markets Risk:** Foreign securities tend to be more volatile and less liquid than U.S. securities. Further, foreign securities may be subject to increased risks due to differences in the political, social, and economic environment abroad, as well as to differences between United States and foreign regulatory, accounting, and auditing standards and, in the case of foreign currency

denominated securities, fluctuations in currency exchange rates. These risks are increased in emerging markets.

**Fixed-Income Risk:** Fixed-income portfolios and fixed-income securities generally have four main areas of risk:

**Credit or Default Risk.** An account may lose money if an issuer of a bond is unable or unwilling to make timely principal and/or interest payments or to otherwise honor its payment obligations. Further, when an issuer suffers adverse changes in its financial condition or credit rating, the price of its debt obligations may decline and/or experience greater volatility. A change in financial condition or credit rating of a fixed-income security can also affect its liquidity and make it more difficult for an account to sell.

**Interest Rate Risk.** The value of a bond may decline due to an increase in the absolute level of interest rates, or changes in the spread between two rates, the shape of the yield curve or any other interest rate relationship. Longer-term bonds are generally more sensitive to interest rate changes than shorter-term bonds. Generally, the longer the average maturity of the bonds held by an account, the more the account's value will fluctuate in response to interest rate changes.

**Prepayment Risk.** An account may experience losses when an issuer exercises its right to pay principal on an obligation held by the account earlier than expected. This may happen during a period of declining interest rates. Under these circumstances, the account may be unable to recoup all of its initial investment and will suffer from having to reinvest in lower yielding securities. The loss of higher yielding securities and the reinvestment at lower interest rates can reduce an account's income, total return, and share price. Rates of prepayment, faster or slower than expected, could reduce an account's overall yield, increase the volatility of the account and/or cause a decline in value.

**Municipal Securities Risk.** The yields of municipal securities may move differently and adversely compared to yields of the overall debt securities markets. There could be changes in applicable tax laws or tax treatments that reduce or eliminate current federal income tax exemption on municipal securities and otherwise adversely affect the current federal or state tax status of municipal securities. Such changes also may adversely impact the value of municipal securities owned by an account and, as a result, the overall value of the account.

## **Item 9: Disciplinary Information**

As a registered investment adviser, we are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of us or the integrity of our management.

We have no legal or disciplinary events to report.

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

We are not engaged in any other business that is material to our providing investment management services to our clients.

Mr. Wattles is engaged separately from his employment with us as a general partner in a family limited partnership (or “Family LP”). The Family LP includes other family members as general and limited partners, some of whom are also clients of our firm as individuals. The Family LP is not open to persons who are not immediate or extended family members. The Family LP generally invests in similar securities that we may purchase on your behalf as a client. However, while Mr. Wattles has influence with the other general partners of the Family LP with regard to investment decisions, he does not place trades for the Family LP or otherwise manage its securities transactions. Because we typically recommend only readily marketable and liquid securities for your account, we do not need to allocate limited investment opportunities among any of our clients and the Family LP.

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

We adopted a written Code of Ethics (the “Code”) that applies to us and our employees. Each of them must comply with our Code as a condition of working with us. The Code describes the standard of conduct that we require of our employees and sets forth restrictions on certain activities, including personal trading in employee-owned, managed, or beneficially-owned accounts. The Code also includes provisions relating to areas such as gifts and entertainment, outside business activities, and the provision and solicitation of political contributions. By setting forth the regulatory and ethical standards to which we and our employees must adhere, the Code supports our efforts to promote a high level of professional and ethical conduct in furtherance of our fiduciary duty to our clients.

Our Code of Ethics requires us to:

- comply with applicable federal and state securities laws
- conduct ourselves with integrity and act ethically in our dealings with the public, clients, and professional associates

- fulfill our duty of loyalty by acting solely in our clients' best interests and making suitable recommendations
- fully disclose material facts related to our advice or recommendations. Material facts are any that relate to information you need to know in order to make an informed decision about our services and investment recommendations
- disclose any conflicts of interest
- strive to provide long-term client satisfaction

**CFA® Code of Ethics and Standards of Professional Conduct:** Charles Wattles holds the Chartered Financial Analyst™ designation ("CFA®"). The CFA Institute also has adopted its own Code of Ethics and Standards of Professional Conduct (the "CFA Code") to provide principles and rules to all persons whom it has recognized and certified to use the CFA® and Chartered Financial Analyst™ certification marks (collectively "the marks"). The CFA Institute determines who is certified and thus authorized to use the marks. Implicit in the acceptance of this authorization is an obligation not only to comply with the mandates and requirements of all applicable laws and regulations, but also to take responsibility to act in an ethical and professionally responsible manner in all professional services and activities. The principles of the CFA Code express the profession's recognition of its responsibilities to the public, to clients, to colleagues, and to employers. They apply to all CFA designees and provide guidance to them in the performance of their professional services. Clients are welcome to request a copy of the CFA Code from our firm, which is also available for download at [www.cfainstitute.org](http://www.cfainstitute.org).

#### PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Our employees will often own the same securities we recommend to you or our other clients (also known as proprietary accounts or personal securities transactions). Generally, these securities will be highly liquid stocks and bonds actively traded on a national securities exchange or market where time and size of their purchases or sales will not affect transactions for you. To a lesser extent, they may also involve transactions in open-ended mutual funds whose shares are continuously offered to the public based on the net asset values of the fund and as priced each day after the market closes. If we do recommend the purchase or sale of a thinly traded security for your account, we will ensure that our employees' transactions do not adversely affect you nor improperly benefit them. We typically mitigate this risk by completing our employees' transactions after all your transactions have been made. Orders for your account and our employees' accounts may sometimes be aggregated or "batched" into one large order, as described below in "Item 12: Brokerage Practices." Aggregated orders may achieve better

execution for all participating accounts and we fairly allocate those benefits among all participating accounts, which mitigate any potential conflict.

These requirements are not applicable to (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements, and other high quality, short-term debt instruments; (iii) shares issued by open-end mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

If you should have any questions relating to our Code of Ethics or would like a copy, you may contact Charles Wattles, our President and Chief Compliance Officer at the phone number on the front of this brochure.

## **Item 12: Brokerage Practices**

Your assets must be maintained in an account at a "qualified custodian," generally a broker-dealer or bank. We do not require you to use a specified broker-dealer or bank to provide custody services. You may continue to use the broker dealer or bank where your assets are already held or you may move them to another custodial firm. In any event, you will make the decision as to which custodian to use and you will be responsible to open your account with them by entering into a separate account agreement directly with them. We do not open the account for you, although we may assist you in doing so.

### **BROKER SELECTION**

If you engage our services, you will grant us discretion in our investment management agreement to determine the specific securities and amounts to be bought or sold. Unless otherwise directed by you in our investment management agreement, you will also grant us authority to select the broker or dealer to be used in a transaction and the commissions you will pay for brokerage-related services. We do not have discretionary authority to transfer money or securities out of your account or into any other person's name.

We will use our best efforts to negotiate brokerage commissions, concessions, and charges on behalf of your account. We seek to obtain the best execution for your account by which your total cost or proceeds will be more favorable under the circumstances, which may include other factors beyond price and cost. In general, we do not receive any products, research, or services from brokerage firms (also known as "soft dollar" benefits) in exchange for commission dollars spent and so these factors will not be a consideration in their selection or recommendation. Despite not having soft-dollar arrangements, you should be aware that certain brokers through which we execute trades

may provide unsolicited proprietary research (i.e., research the broker creates) to us. This research is used for all client accounts, even though only certain clients may have paid commissions to the brokers who provided the unsolicited research. This research could include a wide variety of reports, charts, publications or proprietary data on economic and political strategy, credit analysis, or stock and bond market conditions and projections. However, the factors we do consider in choosing brokers are as follows:

- competitive commission rates
- the level of efficiency and professionalism of services
- past operating history and reputation
- execution capabilities
- access to the markets for the securities being traded
- any other factors we consider relevant

Our overall policy is to seek best execution at the most favorable prices through the broker-dealers we use to effect transactions in your account.

When your custodian is a broker-dealer, we typically use that brokerage firm to execute all trades for the account because of the efficiencies and convenience of doing so and to avoid additional custodial charges that may be incurred to settle transactions if a different execution broker-dealer is used. Therefore, your selection of custodians may materially affect our ability to obtain the lowest price or cost in any particular transaction. We periodically check with various brokerage firms about their commissions, concessions, and charges.

#### DIRECTED BROKERAGE

You may elect to direct us to use a specific broker-dealer because you have a pre-existing relationship with the broker or brokerage firm. All directed brokerage requests and changes must be provided to us in writing. From time to time, we may ask you to confirm your continuing direction to use a brokerage firm to handle all of your orders. We are not affiliated with any brokerage firm and so we do not earn any additional compensation on brokerage transactions. We do not accept “soft dollar” credits for allocating brokerage transactions to a particular brokerage firm.

Some clients select a brokerage firm because it also provides custodial services, either directly or through a clearing brokerage firm. Often, a brokerage firm does not impose additional charges for related custody services. Most brokerage firms do not separately charge for their custodial services if you use their brokerage services.

However, when the brokerage services of a different firm are used for a particular transaction, most custodial brokerage firms charge an additional fee because they must handle the custodial aspects of the transaction and related recordkeeping but do not receive a commission from the transaction itself.

While directed brokerage can reduce or avoid additional custodial fees for your account, there are some disadvantages to directed brokerage arrangements such as:

- Using a brokerage firm to act as custodian may limit or eliminate our ability to obtain best price and execution for the account in some transactions involving fixed income and equity securities.
- We negotiate commissions with each brokerage firm and, in many instances, obtain better than those firms' standard rates for comparable transactions. However, if we cannot choose a different brokerage firm to handle specific transactions, then in some transactions you may pay substantially higher brokerage fees, charges and/or dealer mark-ups or mark-downs than could be obtained if we could have placed the trade with a different brokerage firm.
- When we are not able to go directly to a market maker to buy or sell a particular security on a principal basis, you may not get the best execution price in the transaction or may pay additional transaction-related fees for a transaction handled on their behalf on an agency basis. This is because your brokerage firm may fill the orders by going to a market-making contra broker, who may mark-up the securities it sells (or mark-down the securities it buys), imposing transaction costs that are in addition to the commissions you pay to the brokerage firm that serves as your custodian.
- When trades in exchange-listed securities are executed on an agency basis in an off-exchange over-the-counter market, you may incur transaction costs in addition to any commissions charged by your custodial brokerage firm.

We may use various broker-dealers for different types of securities transactions, which may change from time to time.

While it is possible that you may pay higher commission or transactions fees in some transactions, we believe these brokerage firms currently offer the best overall value our clients for the execution-related services and technology they provide. Periodically, or upon your request, we systematically review the services and charges of other brokerage and custodial firms and, based upon new information or circumstances, may

choose to use different brokerage firms and/or custodians in the future unless directed by you to use a specific brokerage firm.

## TRADE ALLOCATION POLICY

We have adopted a trade allocation policy to govern how we handle the aggregation of orders for more than one client's account. From time to time and only where appropriate, we may aggregate orders for your account with other clients' accounts and, in appropriate circumstances, may include proprietary or family-related accounts. In doing so, we strive to treat all clients fairly. We will not favor one client over another client. We will not favor a proprietary or family-related account over our other client's accounts. When executed, we will allocate the aggregated order in accordance with policies and procedures intended to achieve fair treatment. The purpose of aggregating orders is for our administrative convenience and, in some transactions, to obtain better execution for the aggregated order than might be achieved by processing each of the transactions separately.

We will not aggregate orders for a client having a directed brokerage relationship with a client who does not have a directed brokerage relationship with the same broker-dealer if, by doing so, the directed-brokerage client would receive any undisclosed rebate or extra economic benefit than is obtained by other clients participating in the aggregated order on a pro rata basis. A consequence of not aggregating a client's order with other orders for the same securities is that the client may not obtain as good a price or as low a cost in a separate transaction as clients whose orders have been aggregated.

Each account that participates in an aggregated order will participate at the average share price for all transactions ordered by our firm in that security on a given business day. If permitted by the broker-dealer effecting the transaction, transaction costs will be shared on a pro rata basis. Some broker-dealers charge brokerage commissions to each participating client in accordance with the size of that client's share of the aggregated order, regardless of the total size of the aggregated order. If an aggregated order is not filled in its entirety, it will be allocated among participating accounts on fair and equitable basis, which is typically a pro rata basis.

## AFFILIATED OR PROPRIETARY ACCOUNTS

It is our policy to avoid purchasing or selling securities for our own affiliated or proprietary accounts in a manner or at a time when doing so could adversely affect client accounts or could improperly benefit our firm or our related accounts. In order to assure that no advantage is obtained by affiliated or proprietary accounts with respect to the purchase of the same security, we will typically aggregate orders for these accounts with other clients purchasing the same security on the same day, in accordance with our trade aggregation policy described above, unless in a particular transaction doing so would



create an economic benefit to the affiliated or related accounts that is not shared fairly and equitably by all client accounts participating in the transaction. If affiliated or proprietary accounts are not aggregated with other clients' orders, then it is our practice to sell clients' securities positions, or to purchase securities for clients, before entering similar orders for affiliated or proprietary accounts.

Your investable assets, available cash balances, and investment strategy may affect your ability to participate in any order for the purchase or sale of securities at the same time or on the same basis as other clients. Volatile securities markets and other factors may cause material changes in securities prices within short periods of time, which can result in materially different prices for the same securities when they are not included in the same aggregated order.

We welcome questions and discussion about our trade aggregation policies as described above.

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

If we provide you with investment management services, we review your accounts on a regular basis, not less than monthly. Charles Wattles, the President and Chief Compliance Officer of our firm has responsibility for all reviews. We generally review accounts for compliance with their investment policy statements and to ensure that any transactions and positions are reconciled from an accounting and administrative perspective.

Additional reviews may be triggered by changes in your personal or financial information, significant deposits or withdrawals, market conditions, economic news or events, tax law changes, at your request, at our discretion, or according to the interval agreed upon at the time of engagement. The reviews entail analyzing your portfolios, the securities, the economic or market changes, investment results and asset allocation changes to help ensure the investment strategy is structured to continue to meet your stated needs and objectives.

You must contact us when a real or potential change in your financial condition occurs so we can review the portfolio along with your new information to ensure that your investment policy statement continues to be appropriate. Reviews may involve the entire account or just specific securities held in the account.

We also provide written quarterly investment summaries. These quarterly summaries include portfolio positions, asset allocation, and investment performance information on your total portfolio, as well as performance information on each security in your account. We encourage personal meetings with you at least annually. When available, reports may be delivered to you via e-mail upon request.

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

We do not use solicitors for new client referrals to our firm.

## **Item 15: Custody**

We do not have custody of client assets except in certain cases where we or Charles Wattles are acting as a trustee to a client's trust account where we are also providing investment management services. To comply with Rule 206(4)-2 of the Investment Advisers Act of 1940, each of the accounts for which we have custody are subject to a surprise or unannounced audit annually by a certified public accounting firm. For all clients, however, we use qualified custodians to hold client assets and you will receive statements from the broker-dealer, bank, or other qualified custodian that holds and maintains your investment assets at least quarterly via email or postal mailing. We urge you to carefully review and compare these official custodial records to the quarterly investment summaries that we may provide to you as described in the "Review of Accounts" section above. Our quarterly investment summaries may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

## **Item 16: Investment Discretion**

We are a discretionary asset manager, which means that if you choose to engage our services, you will grant us authority in writing by means of the investment management agreement to determine, without obtaining your specific consent, the securities to be bought or sold for your portfolio and the amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with your stated investment objectives for the account, considering the size of your account, and your risk tolerance as set forth in the investment policy statement. Except in the case of certain trust accounts (see the "Custody" section immediately above), we do not have authority to withdraw funds (except for advisory fees, if authorized) or securities and will not take custody of them.

In addition to our investment management agreement, you may sign an agreement with your custodian which generally includes a limited power of attorney granting us authority to direct and implement the investment and reinvestment of your assets within the account, but not direct the assets outside of the account.

When selecting securities and determining amounts, we observe any investment policies, limitations, and restrictions you provide to us in writing as described above in the section entitled, "Advisory Business."

## **Item 17: Voting Clients Securities**

## PROXY VOTING POLICY

As a matter of policy, we do not vote proxies for clients. However, if agreed to in writing in our investment management agreement, we will vote proxies for the securities in your account on your behalf and at our discretion.

We have adopted a written Proxy Voting Policy setting the standards and guidelines for voting proxies. Under our Proxy Voting Policy, we seek to further your best interests (and, for ERISA accounts, the best interest of plan beneficiaries and participants).

## RESOLVING CONFLICTS IN PROXY VOTING

If the subject matter of any proxy creates a conflict of interest with you and any of our clients, the Proxy Voting Policy resolves such conflict as follows:

We will vote in accordance with predetermined guidelines stated in the Proxy Voting Policy (“Guidelines”);

We will request your consent to the vote, after disclosure to you of the subject matter of the proxy, the nature of the conflict, and the proposed decision; or

You may direct us to forward proxies involving a conflict of interest to a specified independent third party for the third party's review and recommendation.

Under the Guidelines, we generally will vote in favor of management. We may disregard the Guidelines, however, in situations where your best interest would be served by voting otherwise.

If the Guidelines do not specify how we should vote on an issue (such as a proposed acquisition), we will decide how to vote on that issue and act accordingly.

## OBTAINING PROXY VOTING INFORMATION

You may obtain a copy of our Proxy Voting Policy or information on how securities in your account were voted by sending a written request to our office at the address on the cover of this brochure.

## **Item 18: Financial Information**

As a registered investment adviser, we are required to provide you with certain financial information or disclosures about our financial condition if we have financial commitments that impair our ability to meet contractual and fiduciary commitments to you. We have not been the subject of a bankruptcy proceeding and do not have any financial commitments that would impair our ability to meet any contractual or fiduciary

commitments to you. We also do not require you to pay us advisory fees six months or more in advance.

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