

## **Item 1 - Cover Page**

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This brochure provides information about the qualifications and business practices of Crawford Investment Counsel, Inc. If you have any questions about the contents of this brochure, please contact us at (770) 859-0045. 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 Crawford Investment Counsel, Inc. is also available on the Internet at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can view information on this website by searching for Crawford Investment Counsel, Inc.'s name or by using its CRD number: 110271.

\*Registration as an investment advisor does not imply a certain level of skill or training.

## **Item 2 – Material Changes**

In April 2012, Crawford Investment Counsel, Inc. began providing management services on a performance fee basis.

There have been no material changes to our brochure since our last update was filed in April 2011. We will ensure that you receive a summary of material changes, if any, to this and subsequent disclosure brochures within 120 days after our fiscal year ends. Our fiscal year ends on December 31 so you will receive the summary of material changes, if any, no later than April 30 each year. At that time we will also offer a copy of the most current disclosure brochure. We may also provide other ongoing disclosure information about material changes as necessary.

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## **Item 4 – Advisory Business**

### **Ownership**

Crawford Investment Counsel, Inc. (“Advisor”) is an investment advisor registered with the U.S. Securities and Exchange Commission since October 15, 1980. Advisor is a corporation formed under the laws of the State of Georgia. The owners of Advisor are John H. Crawford III, John H. Crawford IV and David B. Crawford.

Crawford Investment Counsel implemented an equity participation plan in an effort to provide senior members of the firm with the ability to participate in the growth of the organization. At this time, there are seven employees participating in the plan.

### **General Description of Primary Advisory Services**

Advisor offers investment advisory services in the form of asset management services to various clients. They include but are not limited to individuals, institutions, sub-advisor and/or other registered investment advisors. Asset management services involve providing clients with continuous and on-going supervision over their accounts. This means that Advisor will continuously monitor a client’s account and make trades in client accounts when necessary. Part of Advisor’s services involves providing asset management services to investment companies, such as mutual funds. Advisor also provides investment management services to private funds.

In addition, Advisor offers retirement plan services to both plan sponsors and to individual plan participants. These services can be both fiduciary and non-fiduciary services.

Please see **Item 5, Fees and Compensation**, for a detailed description of the services provided and fees charged.

### **Limits Advice to Certain Types of Investments**

Advisor limits its investment advice to the following types of investments:

- Exchange-listed securities
- Securities traded over-the-counter
- Foreign issues
- Corporate debt securities (other than commercial paper)
- Commercial paper
- Certificates of deposit
- Municipal securities
- Mutual fund shares
- United States government securities

### **Tailor Advisor Services to Individual Needs of Clients**

Advisor’s services are always provided based on the specific needs of the individual client. Clients are given the ability to impose restrictions on their accounts, including specific investment selections and sectors. However, Advisor will not enter into an investment advisor relationship with a client whose investment objectives may be considered incompatible with Advisor’s investment philosophy or strategies or where the prospective client seeks to impose unduly restrictive investment guidelines.

## **Wrap-Fee Program versus Portfolio Management Program**

Advisor provides both traditional investment advisory services and provides sub-advisory services to wrap fee sponsors and other Registered Investment Advisors. In traditional portfolio management programs, advisory services are provided for a fee. In wrap-fee programs, the sponsor negotiates a management fee with the advisor and the client is charged a wrap fee which includes a transaction fee and a management fee. Wrap and sub-advised accounts are managed to a specific investment strategy, and the sponsor determines the appropriateness of the strategy for their client. Traditional accounts have a more complete process which considers the goals and objectives and relationship with the end client.

## **Client Assets Managed by Advisor**

The amount of clients assets managed by Advisor totaled \$3,369,489,211 as of December 31, 2011. Of that total, \$3,332,994,932 was managed on a discretionary basis and \$36,494,279 was managed on a non-discretionary basis.

## **Item 5 – Fees and Compensation**

This section provides details regarding Advisor's services along with descriptions of fees and compensation arrangements.

### **Asset Management Services**

Advisor offers portfolio management services that include giving continuous investment advice and/or making investments for the client based on the individual needs, goals and objectives and risk tolerance of the client. Through personal discussions and analysis, Advisor's representatives develop a personal investment policy for the client and create an individually designed investment portfolio based on that policy. Advisor provides both traditional and wrap-fee management services. Wrap accounts do not have investment policies.

Advisor assists the client in establishing a managed account(s) through a qualified custodian (i.e., a broker/dealer, registered investment advisor, bank, etc). Clients can direct Advisor to use a specific custodian or can allow Advisor to recommend a custodian based on currently established relationships. When clients direct the use of a particular custodian, Advisor may not be able to obtain the best prices and execution for the transaction. Clients who direct the use of a particular custodian may receive less favorable prices than would otherwise be the case than if they had not designated a particular custodian. Further, clients directing the use of a particular custodian may not be able to participate in aggregate trades (i.e., block trades) and directed trades may be placed by Advisor after effecting non-directed trades. See **Item 12, Brokerage Practices**, for additional discussion on selection of client custodians.

There is a minimum of \$1,000,000 required for a new client to establish a balanced and common stock account and a minimum of \$2,000,000 for a new client to establish a fixed income account. Advisor may grant exceptions to these minimums if the new client is related to an existing Advisor client or access CIC through other programs. There is no minimum account requirement for existing clients to establish a new managed account. The qualified custodian maintains custody of all client funds and securities. Advisor does not act as custodian and will not have direct access to client funds and securities with the exception of having advisory fees deducted from the account. Fee deduction is done with prior written approval of the client.

Advisor provides management services on a discretionary basis. This means that Advisor makes all decisions to buy, sell or hold securities, cash or other investments in the managed account in Advisor's sole discretion without consulting with the client before making any transactions. Clients must provide Advisor with written authorization to exercise this discretionary authority, and they can place reasonable

restrictions and limitations on the discretionary authority. See **Item 16, Investment Discretion**, for additional discussion on discretionary authority.

Advisor charges fees for management services based on a percentage of assets under management. Fees are billed quarterly in advance and calculated based on the market value of the account as of the beginning of the quarter. For balanced and common stock accounts, an annual fee of 0.75% is charged on the first \$5,000,000 in an account. If an account value is higher than \$5,000,000 then a fee of 0.50% is charged on the asset value greater than \$5,000,000. There is a minimum annual fee of \$25,000 on balanced and common stock accounts. For fixed income accounts, an annual fee of 0.40% is charged on the first \$5,000,000 then an annual fee of 0.30% is charged on assets between \$5,000,000 and \$10,000,000, then an annual fee of 0.25% is charged on assets above \$10,000,000.

Advisor may negotiate the fee charged in certain circumstances, such as the account having a substantially larger than average value or including a large concentration in one security. In all cases, Advisor discloses the fee charged prior to services being provided. If an account is created mid-quarter, the initial fee is prorated based on the number of days services were provided. In addition, any significant additions or withdrawals to the account during the quarter are also prorated based on the time they are actually in the account.

If fees are deducted from a client's account, the client must provide the account custodian with written authorization to have fees deducted from the account and paid directly to Advisor. At the same time a billing notice is sent to the account custodian, Advisor also sends the client a billing notice showing the amount of the fee to be deducted, the manner in which the fee was calculated, any adjustments to the fee and an explanation of any adjustments. The custodian will send account statements to clients at least quarterly showing all disbursements from the account, including advisory fees. Clients should review account statements received from their account custodian and verify that appropriate advisory fees are being deducted.

Clients may be charged fees by other parties in connection with the investment advice provided by Advisor. These other fees may include brokerage commissions and/or transaction fees charged by the client's custodian. In addition, clients may incur certain charges imposed by third parties other than Advisor in connection with investments made through the account including, but not limited to, mutual fund sales loads, 12(b)-1 fees, contingent deferred sales charges and surrender charges, and IRA and qualified retirement plan fees. Management fees charged by Advisor are separate and distinct from the fees and expenses charged by investment company securities that may be recommended to the client. A description of these fees and expenses are available in each security prospectus.

Advisor also acts as a portfolio manager using the following wrap fee programs:

<u>Name of Wrap Fee Program</u>	<u>Sponsor of Wrap Fee Program</u>
MAC Program	UBS
Network Program	IJL-Wachovia
Preferred Manager Program	Morgan Keegan
AMC Premier	Suntrust Securities
Unbundled Managed Account Solutions	Midsouth Capital, Inc.
Fiduciary Services	Morgan Stanley Smith Barney Consultation Group

If Advisor manages client accounts using wrap-fee programs sponsored by unaffiliated broker/dealers, clients typically pay 1.00% to 2.5% of their assets invested in the program. Advisor receives a portion of that fee which has been negotiated with sponsor, and there are no separate transaction charges. When determining whether to invest through a particular wrap-fee program, clients should consider such factors as the amount of the wrap fee, the amount of activity in their portfolio and the value of the custodial and other services provided. Clients should also realize the final wrap fee may exceed the aggregate cost of

such services if the services were to be provided separately and if Advisor or other investment advisors were free to negotiate commissions and seek best price and execution for the client accounts.

Clients should be aware that they can invest in some mutual funds directly, without the services of Advisor. But in this case, they would not receive the services provided by Advisor that are designed to, among other things, assist them in determining which mutual funds are more appropriate to their financial condition and objectives. Accordingly, clients should review both the fees charged by the mutual fund(s) and Advisor to fully understand the total fees that they will pay.

Either party may terminate the agreement for services at any time by providing written notice to the other party. Termination is effective upon receipt of the notice. If services are terminated within 5 business days of executing the agreement, services will be terminated without penalty. If services are terminated after the initial five day period, fees are prorated based on the number of days that services are provided prior to receipt of notice of termination and a prorated refund is provided to client. Advisor provides a detailed billing statement to client upon termination.

### **Performance Fee Billing**

At the specific request of a client, and on an exception basis only, asset management services previously described may be offered for a performance fee. The Advisor requires a qualified client must have at least \$50 million in assets under management to qualify for a performance based fee. This means that Advisor's fees are based on a share of capital gains or capital appreciation of a client's assets. Any performance fee arrangements will comply with Section 205-3 of the *Investment Advisers Act of 1940*. According to the Act and SEC Rule 205-3, only natural persons meeting the definition of "qualified clients" may enter into agreements providing for performance based compensation. A natural person or company must meet the following conditions to be considered a qualified client:

- Have at least \$1,000,000.00 under management with Advisor at the time the client enters into an agreement with Advisor; or
- Provide documentation to Advisor so that it reasonably believes the client has either a net worth of \$2,000,000.00 or is a qualified purchaser under Section 2(a)(51)(A) of the *Investment Company Act*.

If performance fees are charged, Advisor's annual base fee is .50% of the assets managed as well as an annual performance fee of .20%. The performance fee will be calculated as any return over the return of the appropriate benchmark (e.g., Russell 1000 Value Index, S&P 500, Dow Jones Industrial Average, etc.) applicable to the management strategy selected for the client's account. The applicable benchmark, as well as the time horizon used, will be determined between Advisor and client and disclosed in the client agreement before any services is provided.

The fee is payable quarterly, in arrears. Fees are billed and paid in the same manner as previously described for the stand-alone asset based fee management program. Clients are responsible for any commissions or transaction costs charged by custodian in association with implementing and maintaining this strategy.

Please see **Item 6, Performance Based Fees and Side-by-Side Management**, for additional information.

### **Mutual Fund Advisory Services**

Advisor also provides investment management services to investment companies such as mutual funds. Under this type of service, an investment company contracts with Advisor, and Advisor is then responsible for managing all or a portion of the investment company assets. An investment company can be described as a firm that invests the pooled funds of retail investors for a fee. By combining the funds of a large number of small investors into a specific investment (in line with the objectives of the investors),



an investment company gives individual investors access to a wider range of securities than the individual investors themselves would have been able to access. Also, individual investors should be able to save on trading costs since the investment company is able to gain economies of scale in operations. There are two types of investment companies: open-end (mutual funds) and closed-end (investment trusts). An investment company must be registered under the *Investment Company Act of 1940*.

Specifically, Advisor serves as investment advisor to the Crawford Dividend Growth I (CDGIX), Crawford Dividend Growth C (CDGCX), and Crawford Dividend Growth R (RCDGX) funds. CDGIX, CDGCX, and RCDGX are non-diversified funds seeking maximum total return. They typically invest in common stocks of large capitalization companies. The funds are able to invest a portion of the assets in fixed income investments rated A+ or better by Standard & Poor's. Since the inception of the fund, the advisor has not invested in fixed income investments other than money market funds. Allowable fixed income investments include U.S. Government securities, corporate debt securities, mortgage-backed securities and convertible securities.

The total expense ratio associated with the mutual funds is 0.98% for CDGIX, 1.98% for CDGCX, and 1.23% for RCDGX. In that figure, other applicable fund fees (i.e., 12b-1 fees, etc.) apply. Advisor may also recommend CDGIX to its private advisory clients. If any of its private advisory clients invest in the fund, Advisor will waive its advisory fees charged for management services on those funds invested.

### **Tax-Exempt Pooled Trust Services**

Advisor provides investment management services to private funds and securities. A private fund or security is an investment that is exempt from registration under the *Investment Company Act of 1940*, the *Securities Act of 1933* or both.

Advisor provides investment management services to The Crawford Investment and Retirement Group Trusts, a private, tax-exempt pooled trust designed to permit qualified employee benefit plans and individual retirement accounts to co-mingle all or a portion of their assets for investment and diversification. The object of a private investment vehicle is to provide access to investment types that would otherwise have minimum account sizes out of reach of most clients. As the investment manager, Advisor is responsible for all major decisions of the trust including, without limitation, amending or changing the trust's investment objective, investment strategy and investment policies or limitations. Advisor would normally also be responsible for recommending and soliciting investors to the trust, and there would have been a \$100,000 minimum investment required. The Crawford Retirement Group Trust is currently closed and no new investors are being accepted. However, The Crawford Investment Group Trust that remains open to new qualified participants. Less than 1% of our clients are invested in this trust.

Advisor is compensated for its private investment management services based on a percentage of assets within the trust. Advisor receives an annual fee of 1% which is charged quarterly in advance and calculated on the trust value as of the end of the previous quarter. State Street Bank serves as Trustee of the Trusts and is responsible for paying Advisor its fee from the private trust's assets.

### **Retirement Plan Services**

Advisor offers retirement plan services to retirement plan sponsors and to individual participants in retirement plans. For a corporate sponsor of a retirement plan, our retirement plan services can include, but are not limited to, the following services:

#### **Fiduciary Consulting Services**

- **Investment Policy Statement Preparation.** Advisor helps you develop an investment policy statement. The investment policy statement establishes the investment policies and objectives

for the plan. You have the ultimate responsibility and authority to establish such policies and objectives and to adopt and amend the investment policy statement.

- Non-Discretionary Investment Advice. Advisor provides you with general, non-discretionary investment advice regarding assets classes and investment options, consistent with your plan's investment policy statement.
- Investment Selection Services. Advisor provides you with recommendations of investment options consistent with ERISA Section 404(c).
- Investment Due Diligence Review. Advisor provides you with periodic due diligence reviews of the plan's reports, investment options and recommendations.
- Investment Monitoring. Advisor assists in monitoring investment options by preparing periodic investment reports that document investment performance, consistency of fund management and conformation to the guidelines set forth in the investment policy statement. Advisor makes recommendations to maintain or remove and replace investment options.
- Default Investment Alternative Advice. Advisor provides you with non-discretionary investment advice to assist you with developing qualified default investment alternative(s) ("QDIA"), as defined in DOL Reg. Section 2550.404c-5(e)(4)(i), for participants who are automatically enrolled in the plan or who otherwise fail to make an investment election. You retain sole responsibility to provide all notices to participants required under ERISA Section 404(c)(5).
- Individualized Participant Advice. Upon request, Advisor provides one-on-one advice to plan participants regarding their individual situations.

Advisor acknowledges that in performing the fiduciary consulting services listed above that it is acting as a "fiduciary" as such term is defined under Section 3(21)(A)(ii) of *Employee Retirement Income Security Act of 1974* ("ERISA") for purposes of providing non-discretionary investment advice only. Advisor acts in a manner consistent with the requirements of a fiduciary under ERISA if, based upon the facts and circumstances, such services cause Advisor to be a fiduciary as a matter of law. However, in providing the fiduciary consulting services, Advisor (a) has no responsibility and does not (i) exercise any discretionary authority or discretionary control respecting management of client's retirement plan, (ii) exercise any authority or control respecting management or disposition of assets of client's retirement plan, or (iii) have any discretionary authority or discretionary responsibility in the administration of client's retirement plan or the interpretation of client's retirement plan documents, (b) is not an "investment manager" as defined in Section 3(38) of ERISA and does not have the power to manage, acquire or dispose of any plan assets, and (c) is not the "Administrator" of client's retirement plan as defined in ERISA.

#### Fiduciary Management Services

- Discretionary Investment Selection Services. Advisor monitors the investment options of the plan and adds or removes investment options for the plan. Advisor has discretionary authority to make all decisions regarding the investment options that are made available to plan participants.
- Default Investment Alternative Management. Advisor develops and actively manages qualified default investment alternative(s) ("QDIA"), as defined in DOL Reg. Section 2550.404c-5(e)(4)(i), for participants who are automatically enrolled in the plan or who otherwise fail to make an investment election.

If you elect to utilize any of Advisor's fiduciary management services, then Advisor is acting as an investment manager to the plan, as defined by ERISA Section 3(38), with respect to our fiduciary management services, and Advisor hereby acknowledges that it is a fiduciary with respect to its fiduciary management services.

#### Non-Fiduciary Services

- Participant Education. Advisor provides education services to plan participants about general investment principles and the investment alternatives available under the plan. Advisor's assistance in participant investment education is consistent with and within the scope of DOL

Interpretive Bulletin 96-1. Education presentations do not take into account the individual circumstances of each participant and individual recommendations are not provided unless otherwise agreed upon. Plan participants are responsible for implementing transactions in their own accounts.

- Participant Enrollment. Advisor assists you with group enrollment meetings designed to increase retirement plan participation among employees and investment and financial understanding by the employees.
- Qualified Plan Development. Advisor assists you with establishing a qualified plan by working with you and a selected third party administrator. If you have not already selected a third party administrator, we assist you with the review and selection of a third party administrator for the plan.
- Due Diligence Review. Advisor provides you with periodic due diligence reviews of your plan's fees and expenses and your plan's service providers.
- Fiduciary File Set-up. Advisor helps you establish a "fiduciary file" for the plan which contains trust documents, custodial/brokerage statements, investment performance reports, services agreements with investment management vendors, the investment policy statement, investment committee minutes, asset allocation/asset liability studies, due diligence fields on funds/money managers and monitoring procedures for funds and/or money managers.
- Benchmarking. Advisor provides you benchmarking services and provides analysis concerning the operations of the plan.

Although an investment adviser is considered a fiduciary under the *Investment Advisers Act of 1940* and required to meet the fiduciary duties as defined by the Advisers Act, the services listed here as non-fiduciary should not be considered fiduciary services for the purposes of ERISA since Advisor is not acting as a fiduciary to the plan as the term "fiduciary" is defined in Section 3(21)(A)(ii) of ERISA. The exact services provided to a client are listed and detailed in the Qualified Retirement Plan Agreement.

All recommendations of investment options and portfolios are submitted to the client for the client's ultimate approval or rejection. Therefore, it is always the client's responsibility to accept Advisor's investment recommendations and then physically make changes to the plan itself.

In the event a client contracts with Advisor for one-on-one consulting services with plan participants, such services are consultative in nature and do not involve Advisor implementing recommendations in individual participant accounts. It is the responsibility of each participant to implement changes in the participant's individual accounts. We can also meet with individual participants to discuss their specific investment risk tolerance, investment time frame and investment selections.

Retirement plan consulting services are not management services, and Advisor does not serve as administrator or trustee of the plan. Advisor does not act as custodian for any client account or have access to client funds or securities (with the exception of some accounts having written authorization from the client to deduct our fees). In addition, we do not implement any transactions in a retirement plan or participant's account. For retirement plan consulting services, the retirement plan or the plan participant who elects to implement any recommendations made by us is solely responsible for implementing all transactions.

Advisor discloses to you, to the extent required by ERISA Regulation Section 2550.408b-2(c), any change to the information that we are required to disclose under ERISA Regulation Section 2550.408b-2(c)(1)(iv) as soon as practicable, but no later than sixty (60) days from the date on which we are informed of the change (unless such disclosure is precluded due to extraordinary circumstances beyond our control, in which case the information is disclosed as soon as practicable).

In accordance with ERISA Regulation Section 2550.408b-2(c)(vi)(A), we disclose within thirty (30) days following receipt of a written request from the responsible plan fiduciary or plan administrator (unless such disclosure is precluded due to extraordinary circumstances beyond our control, in which case the

information is disclosed as soon as practicable) all information related to the Qualified Retirement Plan Agreement and any compensation or fees received in connection with the Agreement that is required for the plan to comply with the reporting and disclosure requirements of Title 1 of ERISA and the regulations, forms and schedules issued thereunder.

If we make an unintentional error or omission in disclosing the information required under ERISA Regulation Section 2550.408b-2(c)(1)(iv) or (vi), we disclose to you the correct information as soon as practicable, but no later than thirty (30) days from the date on which we learn of such error or omission.

For retirement plan sponsors and plan participants, we charge a fee ranging from 0.40% to 1% per year. For plan sponsors, this fee is negotiable based upon the complexity of the plan, the size of the plan assets, the actual services requested and number of participants. For plan participants, this fee is negotiable based upon the actual services requested and the complexity of the participant's situation.

For both plan sponsors and participants, fees are billed in and calculated based on the fair market value of the client's account as of the last business day of the current billing period. For accounts opened mid-billing period, fees are prorated based on the number of days services are provided during the initial billing period. Retirement plan sponsors may also elect to pay all or a portion of fees for the individualized services provided by us to the plan participants.

Clients can elect to have the fee deducted from their account or billed directly and due upon receipt of the billing notice. If clients elect to have the fee automatically deducted from an existing account, they are required to provide the custodian with written authorization to deduct the fees from the account and pay the fees to Advisor. We provide the custodian with a fee notification statement.

Retirement plan services are for a term of 1 year. Services terminate upon thirty (30) days following either party providing the other party with written notice. If services are terminated within five business days of signing the client agreement, services are terminated without penalty. Any prepaid but unearned fees are promptly refunded to the client at the effective date of termination.

Advisor does not reasonably expect to receive any other compensation, direct or indirect, for its services. If we receive any other compensation for such services, we (i) offset that compensation against our stated fees, and (ii) disclose the amount of such compensation, the services rendered for such compensation and the payer of such compensation to you.

### **Additional Compensation**

We do not receive any compensation other than the fees described in this Disclosure Brochure.

### **Comparable Services**

Advisor believes its fees for advisory services are reasonable with respect to the services provided and the fees charged by other investment advisors offering similar services. However, lower fees for comparable services may be available from other sources.

## **Item 6 – Performance-Based Fees and Side-By-Side Management**

Performance based fees are defined as fees based on a share of capital gains on or capital appreciation of the assets held in a client's account. Clients should be aware that there are potential conflicts of interest when Advisor manages accounts on a performance fee basis. For example, the nature of a performance fee poses an opportunity for Advisor to earn more compensation than under a stand-alone asset based fee. Thus, even though Advisor provides performance fee billing on an exception basis only, Advisor may favor performance fee accounts over those accounts where it receives only an asset based

fee. Advisor may devote more time and attention to performance fee accounts than to accounts under an asset-based arrangement. In addition, performance fees can encourage unnecessary speculation with client assets in order to earn or increase the amount of the fee. The result of riskier investments can have a positive effect in that results could equal higher returns when compared to an asset-based account. On the other hand, riskier investments historically have a higher chance of losing value. Also, a performance fee arrangement could give Advisor an incentive to time transactions in a client's account on the basis of fee considerations rather than on what is necessarily in the best interest of the client. Performance fees can potentially cause Advisor to engage in transactions or strategies which increase the amount of the performance fees but which may not increase overall performance of the client's account.

Advisor does not represent that the amount of the performance fees or the manner of calculating performance fees is consistent with other performance related fees charged by other investment advisor under the same or similar circumstances. The performance fees charged by Advisor may be higher than the performance fees charged by other investment advisors for the same or similar services.

Advisor has established policies and procedures to address the various conflicts of interest associated with charging a performance fee:

- It devotes equal time to managing performance fee accounts and asset based accounts.
- Clients requesting performance fee arrangements and granted an exception to do so must be able to assume additional risk. Advisor provides these clients full disclosure of the additional risks associated with a performance fee arrangement.
- Advisor's representatives typically manage personal accounts using a similar investment strategy used for clients.
- Advisor has implemented internal compliance policies and procedures designed to comply with applicable state and federal securities law. Procedures are available to clients upon request.

Please see **Item 5, Fees and Compensation**, for additional information concerning the asset management services provided on a performance fee basis.

## **Item 7 – Types of Clients**

Advisor generally provides investment advice to the following types of clients.

- Individuals (including high net worth individuals)
- Investment companies (including mutual funds)
- Pension and profit sharing plans
- Trusts, estates, or charitable organizations
- Corporations or business entities other than those listed above
- Other pooled investment vehicles
- Municipalities and Taft-Hartley plans

### **Minimum Investment Amounts Required**

Advisor charges a minimum annual fee of \$25,000 for balanced and common stock accounts. There is a minimum of \$2,000,000 in assets under management required for a new client to establish a fixed income account. Advisor may grant exceptions to these minimums if the new account is related to an existing Advisor client or accesses CIC through other programs. There is no minimum account requirement for existing clients to establish a new managed account.

If managed accounts are billed on a performance fee basis, clients must meet the requirements of SEC Rule 205-3 under the *Investment Advisers Act of 1940*. The Rule states that only natural persons meeting the definition of "qualified clients" may enter into agreements providing for performance based compensation. A natural person or company must meet the following conditions to be considered a qualified client:

- Have at least \$1,000,000.00 under management with Advisor at the time the client enters into an agreement with Advisor; or
- Provide documentation to Advisor so that it will reasonably believe the client has either a net worth of \$2,000,000 or is a qualified purchaser under Section 2(a)(51)(A) of the *Investment Company Act*.

Advisor requires that any qualified client requesting performance fee billing must have a minimum of \$50 million in assets under management with Advisor.

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

### **Methods of Analysis**

As of December 31, 2011 Advisor's equity and fixed income investment teams were comprised of 13 investment professionals who average approximately 20 years of industry experience. The equity investment team has an average firm tenure of 13 years and 21 years of experience. The fixed income team averages 19 years of industry experience. Eight professionals hold the CFA designation and seven have received their MBA. Only one investment professional has left the firm in the last 13 years.

### **Equity Investment Philosophy & Approach:**

Advisor believes investing for the long-term in companies with sound management, strong balance sheets, and the ability to produce consistent earnings and dividends is a low risk means of building wealth. Advisor utilizes a bottom-up, value oriented equity approach. As long-term investors, portfolios generally remain fully invested. The equity investment team consists of five portfolio managers, four equity analysts and one equity trader. The portfolio managers and equity analysts work together to determine the appropriate stocks for the investment portfolios.

### **Equity Analysis:**

The goal is to identify high quality companies that have strong balance sheets and predictable earnings. Advisor begins the research process by creating a universe of companies that have at least a ten year history of consistent dividends. This universe of companies is defined as The Consistent Dividend Growth Universe. Each stock is assigned a ranking based on its current yield, historic dividend growth and relative yield. This quantitative ranking is utilized as an idea generator to help us focus our fundamental research efforts. Traditional fundamental analysis is conducted, collectively and individually, on existing holdings as well as potential buy candidates. The research process includes traditional balance sheet and income statement analysis, valuation analysis, discounted cash flow model, etc. To determine a conservative growth rate for the valuation models, the analyst/team looks at historical earnings, current trends, top line volume growth, capital expenditures, pricing power, industry growth, new products, margin trends, market share trends, etc. to develop and estimate of earning growth over a 1 and 5 year time periods.

### **Equity Investment Strategies:**

Advisor's equity investment products attempt to provide attractive long-term returns over a full market cycle while protecting capital in down markets. A common theme across the equity products is the identification of undervalued, high quality companies that have consistently growing businesses and strong balance sheets.

**Dividend Growth** – Value portfolios that focus on undervalued, high quality companies that have consistent businesses and strong balance sheets. All securities are selected from the Consistent Dividend Growth Universe.

- Long-term investor
- Bottom-up, value oriented

- Fundamental research driven
- 30-35 stocks
- 25-30% average annual turnover

**Dividend Yield** – Value portfolios that focus on undervalued, high quality companies that have consistent businesses and strong balance sheets. Dividend Yield portfolios are constructed to provide a higher current yield than the Dividend Growth portfolio. Portfolio holdings are not required to be a member of the Consistent Dividend Growth Universe.

- Long-term investor
- Bottom-up, value oriented
- Fundamental research driven
- 40-50 stocks
- 25-30% average annual turnover

**Core Equity** – Core portfolios that focus on high quality companies with consistent and growing earnings. Core portfolios are designed to give the client sector exposure similar to that of the S&P 500 Index. Portfolio holdings are not required to be a member of the Consistent Dividend Growth Universe.

- Long-term investor
- Bottom-up, sector neutral
- Fundamental research driven
- 40-50 stocks
- 25-30% average annual turnover

#### **Fixed Income Investment Philosophy & Approach:**

Advisor's fixed income investment philosophy is based on the belief that bonds are investments meant for capital preservation and income production, that diversification is the foundation of the portfolio management process and that yield relationships tend to exhibit mean reversion over time. Having met standards for inclusion in our investable universe and in concert with a client's stated objectives, buy decisions are driven from a relative value standpoint. Sell decisions are prompted by overvaluation and deteriorating issuer fundamentals.

Securities are selected from the upper bands of the quality spectrum to achieve the mandates of preservation of capital and maximization of income. The investment process is highly transparent and focuses on the more traditional sectors of the fixed income market. The fixed income investment team consists of four portfolio managers and one fixed income analyst.

**Core Bond** – High quality portfolios invested in US Treasury and agency, corporate and taxable municipal securities.

- High quality bias
- Focus on principal preservation and income
- Laddered maturity distribution with intermediate focus
- 20-30 issues
- 30-40% average annual turnover

**National Municipal Bond** – Portfolios designed to maximize after-tax yield within the confines of high quality by investing in sophisticated municipal securities across the country.

- Intermediate effective maturity, laddered portfolio
- High quality, investment grade securities
- 20-30 issues
- 10-20% average annual turnover

## **Risk of Loss**

Investing in securities involves a risk of loss that clients should be prepared to bear, including the loss of original principal. You should also be aware that past performance of any security is not necessarily indicative of future results. Therefore, you should not assume that future performance of any specific investment or investment strategy will be profitable. Advisor does not provide any representation or guarantee that client goals will be achieved.

Investing in securities involves risk of loss. Further, depending on the different types of investments, there may be varying degrees of risk:

- **Market Risk.** Either the market as a whole, or the value of an individual company, goes down, resulting in a decrease in the value of client investments. This is referred to as systemic risk.
- **Equity (Stock) Market Risk.** Common stocks are susceptible to fluctuations and to volatile increases/decreases in value as their issuers' confidence in or perceptions of the market change. Investors holding common stock (or common stock equivalents) of any issuer are generally exposed to greater risk than if they hold preferred stock or debt obligations of the issuer.
- **Company Risk.** There is always a certain level of company or industry specific risk when investment in stock positions. This is referred to as unsystematic risk and can be reduced through appropriate diversification. There is the risk that a company may perform poorly or that its value may be reduced based on factors specific to it or its industry (e.g., employee strike, unfavorable media attention).
- **Fixed Income Risk.** Investing in bonds involves the risk that the issuer will default on the bond and be unable to make payments. In addition, individuals depending on set amounts of periodically paid income face the risk that inflation will erode their spending power. Fixed-income investors receive set, regular payments that face the same inflation risk.
- **ETF and Mutual Fund Risk.** ETF and mutual fund investments bear additional expenses based on a pro-rata share of operating expenses, including potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities held by the ETF or mutual fund. Clients also incur brokerage costs when purchasing ETFs.
- **Management Risk.** Client investments also vary with the success and failure of Advisor's investment strategies, research, analysis and determination of portfolio securities. If Advisor's strategies do not produce the expected returns, the value of a client's investments will decrease.

Advisor does not use margin in investment strategies. You may direct Advisor to use margin if they elect to borrow funds against their investment portfolio. When you purchase securities, you may pay for the securities in full or borrow part of the purchase price from your account custodian or clearing firm. If you borrow part of the purchase price then you are engaging in margin transactions and there is risk involved with this. The securities held in your margin account are collateral for the custodian or clearing firm that loaned you the money. If those securities decline in value, then the value of the collateral supporting your loan also declines. As a result, the brokerage firm is required to take action in order to maintain the necessary level of equity in your account. The brokerage firm may issue a margin call and/or sell other assets in your account.

It is important that you fully understand the risks involved in trading securities on margin, including:

- You can lose more funds than you deposit in your margin account
- The account custodian or clearing firm can force the sale of securities or other assets in your account



- The account custodian or clearing firm can sell your securities or other assets without contacting you
- You are not entitled to choose which securities or other assets in your margin account may be liquidated or sold to meet a margin call
- The account custodian or clearing firm may move securities held in your cash account to your margin account and pledge the transferred securities
- The account custodian or clearing firm can increase its “house” maintenance margin requirements at any time and are not required to provide you advance written notice
- You are not entitled to an extension of time on a margin call

### **Primary Method of Analysis or Strategy**

Fundamental analysis takes a long-term approach to analyzing markets, often looking at data over a number of years. The data reviewed is released over years (e.g., quarterly financial statements). Therefore, fundamental analysis could mean a gain is not realized until a security’s market price rises to its “correct” value over the long run--perhaps several years. Fundamental analysis usually involves less frequent trading practices which could also have a positive or negative impact on a client’s portfolio value, but likely has reduced brokerage and transaction costs.

### **Primary Recommend One Type of Security**

We do not recommend any specific security to clients. Instead, we recommend products or strategies which we believe as suitable for each client relative to their specific circumstances and needs.

## **Item 9 – Disciplinary Information**

Advisor has no legal or disciplinary events that are material to a client’s or prospective client’s evaluation of Advisor’s business or the integrity of its management. Therefore, this item is not applicable to Advisor’s brochure.

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

Please see **Item 5, Fees and Compensation**, for discussion concerning Advisor’s relationship with Crawford Dividend Growth Funds and the Group Trust tax-exempt pooled trust.

When Advisor recommends that its private clients invest in one of the funds, a material conflict exists in that Advisor’s incentive to recommend the funds may be based on economic factors and not necessarily the client’s best interest. However, it is Advisor’s policy that the solicitation of private clients to invest in the funds be based on the client’s goals and risk tolerance. In addition, if private clients do invest in the funds, Advisor does not charge a management fee on those assets due to the fact that the Crawford Dividend Growth Fund and Group Trust Tax-Exempt pooled Trust pays a management fee to Advisor.

Clients of Advisor were not obligated to invest in the Group Trust but were solicited based on their goals and risk tolerance. New investors are being accepted. Advisor receives a separate fee for managing the trust and a client’s investment allocation in the trust will not be included in the client’s overall management fee calculation paid to Advisor.

Advisor does not have a related person that is:

- A broker/dealer, municipal securities dealer or government securities dealer or broker
- A investment adviser or financial planner

- A futures commission merchant, commodity pool operator or commodity trading advisor
- A banking or thrift institution
- Accountant or accounting firm
- A lawyer or law firm
- An insurance company or agency
- A pension consultant
- A real estate broker or dealer
- A sponsor or syndicator of limited partnerships.

## **Item 11 – Code of Ethics, Participation in Client Transactions and Personal Trading**

### **Code of Ethics**

Section 204A-1 of the *Investment Advisers Act of 1940* requires all investment advisers to establish, maintain and enforce a Code of Ethics. According to the *Investment Advisers Act of 1940*, an investment advisor is considered a fiduciary. As a fiduciary, it is an investment advisor's responsibility to provide fair and full disclosure of all material facts. In addition, an investment advisor has a duty of utmost good faith to act solely in the best interest of each client. Advisor and its representatives have a fiduciary duty to all clients. Advisor has established a Code of Ethics that all persons associated with the firm must read. They must then execute an acknowledgment agreeing that they understand and agree to comply with the Code of Ethics. The fiduciary duty of Advisor and its representatives to clients is considered the core underlying principle for Advisor's Code of Ethics and represents the expected basis for all dealings with clients. Advisor has the responsibility to make sure that the interests of clients are placed ahead of it or its associated persons' own investment interests. All representatives will conduct business in an honest, ethical and fair manner. All representatives will comply with all federal and state securities laws at all times. Full disclosure of all material facts and potential conflicts of interest will be provided to clients prior to services being conducted. All representatives have a responsibility to avoid circumstances that might negatively affect or appear to affect their duty of complete loyalty to clients. This section is only intended to provide current clients and potential clients with a description of Advisor's Code of Ethics. If current clients or potential clients wish to review Advisor's Code of Ethics in its entirety a copy may be requested from any of Advisor's representatives and it will be provided promptly.

### **Participation or Interest in Client Transactions**

Advisor may recommend that clients invest in Crawford Dividend Growth Fund I, the Crawford Dividend Growth Fund C or the Crawford Dividend Growth Fund R. Advisor is the investment manager for these funds and is compensated for the services it provides. Advisor does not charge management fee to client on allocation to fund.

Advisor established a tax-exempt pooled trust designed to permit qualified employee benefit plans and individual retirement accounts to co-mingle all or a portion of their assets for investment and diversification. Advisor receives a separate fee for managing the trust and a client's investment allocation in the trust will be excluded in the client's overall management fee calculation paid to Advisor.

### **Personal Trading**

Advisor and its representatives may buy or sell securities for their own accounts that are recommended to clients. Advisor has policies in place for protecting the clients interest first. They also recommend the purchase or sale of different securities for different clients at different times. This could result in contrary advice being given or action taken on behalf of clients and in the personal accounts of Advisor and its representatives. To prevent conflicts of interest, associated persons must have personal trading preapproved by trader before execution of transaction. The employees' transactions are reviewed quarterly.

Advisor is now and will continue to be in compliance with *The Insider Trading and Securities Fraud Enforcement Act of 1988*. To prevent conflicts of interest, Advisor developed written supervisory procedures that include personal investment and trading policies for its representatives, employees and their immediate family members (collectively, associated persons). These procedures were distributed to all associated persons, and the associated persons acknowledged they have read, understand and agree to abide by Advisor's policies and procedures. The policies include:

- Associated persons cannot prefer their own interests to that of the client
- Associated persons cannot purchase or sell any security for their personal accounts prior to implementing transactions for client accounts
- Associated persons cannot buy or sell securities for their personal accounts when those decision are based on information obtained as a result of their employment, unless that information is also available to the investment public upon reasonable inquiry
- Advisor maintains a list of all securities holdings for itself and all associated persons; this list is reviewed on a regular basis by Advisor's Chief Compliance Officer

Any associated persons not observing Advisor's policies, or violating any applicable state and federal advisory practice regulations, is subject to sanctions up to and including termination.

## **Item 12 – Brokerage Practices**

Clients wishing to implement Advisor's advice are free to select any broker/dealer or investment advisor they wish and are so informed. Best execution of client transactions is an obligation Advisor takes seriously and is a catalyst in the decision of using an account custodian. While quality of execution at the best price is an important determinant, best execution does not necessarily mean lowest price and it is not the sole consideration. When Advisor has discretion as to placement of transactions, it considers the following:

- Where the best execution (price) is likely to be obtained. This is a function of past experience with individual firms, particular brokers and traders and the security in question.
- A brokerage firm's research and investment ideas that directly impact a client's portfolio.
- Price (the amount of commission paid). All trades are negotiated to the appropriate level based on the size of the trade and its complexity to execute.
- The operational aspects of brokerage firms' back office (will the client receive payment of securities on a timely basis), and custodian or other administrative service. Because of these considerations Advisor may pay a brokerage commission in excess of that which another broker might have charged for having effected the same transaction in recognition of the value of brokerage or research services provided by the broker.

The custodians for Advisor's clients may make available other products and services at a reduced cost or at no cost. These other products and services may benefit Advisor but may not benefit its clients' accounts. Some of these other products and services assist Advisor in managing and administering clients' accounts, including:

- Software and other technology that provide access to client account data (such as trade confirmations and account statements)
- Facilitation in trade execution (and allocation of aggregated trade orders for multiple client accounts)
- Research, pricing information and other market data
- Facilitation for payment of fees to Advisors from clients' accounts
- Assistance with back-office functions, record-keeping and client reporting.

These custodians may also offer other services intended to help Advisor manage and further develop its business enterprise, such as:

- Consulting
- Publications and conferences on practice management
- Information technology
- Business succession
- Regulatory compliance
- Marketing

As a fiduciary, Advisor endeavors to act in its clients' best interests. However, any recommendation that clients maintain their assets in accounts at certain custodians may be based in part on the benefit to Advisor of the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by such custodians. This may create a potential conflict of interest. Clients are under no obligation to act on the recommendations of Advisor.

Clients may select a broker/dealer or account custodian different from one recommended by Advisor and direct Advisor to use that broker/dealer or custodian to maintain custody of their assets. Advisor has discretion to reject the client's request for directed brokerage. If Advisor does not agree to manage the client's assets at another custodian, the client is free to choose a custodian recommended by Advisor or to choose another advisor to manage their assets. When a client directs the use of a particular broker/dealer or other custodian, Advisor may not be able to obtain the best price and execution for the transaction. Clients who direct the use of a particular broker/dealer or custodian may receive less favorable prices than would otherwise be the case if clients had not designated a particular broker/dealer or custodian. Further, directed trades may be placed by Advisor after effecting non-directed trades.

#### **Soft Dollar Commission Policy**

Consistent with its discretionary authority to select particular brokers, Advisor utilizes some commission dollars in order to obtain services that directly benefit clients' portfolios, such as research products. Soft dollar executions are done through reputable brokers only and only done in cases where execution is not sacrificed. The brokers provide low commission rates. Advisor's Compliance Department approves and signs off on soft dollar arrangements annually and creates a master brokerage allocation budget with the trader (including third-party soft dollar arrangements). Monthly reports are compiled to document soft dollar activities.

Examples of research services purchased are: written market publications for investment professionals dealing generally with market information, asset allocation, and information relating to selected specific companies and securities; a database of fundamental data on over 7,000 securities, and Bloomberg which provides real-time and historic data, news, analytics, pricing, trading and communication tools. An example of one product used on a mixed use basis is Advisor's portfolio accounting/analysis system. This product is used for analyzing portfolios, managing portfolios and viewing portfolios versus models as well as benchmarks which allow the firm to classify this as a research tool.

#### **Block Trades**

Advisor generally implements transactions for client accounts independently, unless it decides to purchase or sell the same securities for several clients at approximately the same time. This process is referred to as aggregating orders, batch trading or block trading and is used when Advisor believes such action may prove advantageous to clients.

Advisor aggregate transactions only if it believes that aggregation is in the best interests of the applicable clients, is consistent with its duty to seek best execution for its clients, and is consistent with the terms of its investment advisory agreement with each client for whom transactions are being aggregated. Nevertheless, the system employed by Advisor may have a detrimental effect on the price or value of the

security as far as each client is concerned. In other cases, however, the ability of the clients to participate in volume transactions will produce better execution prices.

When Advisor determines to aggregate client orders for the purchase or sale of securities, including securities in which its associated persons may invest, Advisor does so in accordance with the parameters set forth in the SEC No-Action Letter, *SMC Capital, Inc.* Advisor does not receive any additional compensation or remuneration as a result of aggregating or blocking trades.

## **Item 13 – Review of Accounts**

### **Account Reviews**

Managed portfolios are reviewed daily relative to account return. All cash flows in or out of each portfolio which exceed \$10,000 are reviewed daily. All trading activity in the portfolios is reviewed weekly. Reviews are conducted whenever changes occur within investment strategies, or whenever there is a major shift in the market or news affecting a particular holding. Portfolios are also reviewed at a client's request or a significant change in the client's circumstance.

Account reviews are performed by Advisor's portfolio managers, and each manager is responsible for reviewing their own accounts. The portfolio managers are:

- John H. Crawford III (Chief Investment Officer)
- David B. Crawford (President)
- Milton W. Williams III
- John H. Crawford IV
- Jonathan R. Morgan
- Alan W. Kirchner
- Thomas J. Buehler
- Leslie M. Krone
- Brandon M. Denihan
- Debra A DiSimone
- Geoffrey S. DeLong
- Troy G. DeCastro
- Parker Mitchell

Absent specific client instruction, accounts are reviewed relative to asset allocations in the client's portfolio(s), accuracy of portfolio holdings, continuing suitability of investment products and to check that account performance is still working toward the client's goals and objectives.

### **Account Reports**

Clients receive an account statement at least quarterly from the custodian maintaining their account. In addition, Advisor sends a review letter and formal appraisal of the client's portfolio at least quarterly. The review letter covers investment performance and recent economic and market trends and their impact on the client's portfolio. The appraisal list includes a percentage breakdown as to stocks, bonds and cash and further classifies stocks into their economic sectors and bonds into type.

In the case of wrap programs or where Advisor acts as a sub-advisor to another registered investment advisor's clients, the reporting is provided by that sponsor or to the other registered investment advisor.

## Item 14 – Client Referrals and Other Compensation

### Client Referrals

Advisor currently has and may enter into other agreements with solicitors to refer clients to it. If a client is referred to Advisor by a solicitor, the solicitor will provide the client with a copy of Advisor's Form ADV Part 2A as required by Rule 204-3 of the *Investment Advisers Act of 1940*. The client will also receive a copy of the solicitor disclosure statement containing the information set forth in Rule 206(4)-3 of the *Investment Advisers Act of 1940*. If a referred client enters into an investment advisory agreement with Advisor, a cash referral fee is paid to the solicitor that is based upon a percentage of client advisory fees that are generated. This referral relationship will not result in clients being charged any fees over and above the normal advisory fees charged for the advisory services provided. The referral agreements between Advisor and the solicitors are in compliance with regulations as set out in 17 CFR §275.206(4)-3, the Rules under the *Investment Advisers Act of 1940*, and the rules set forth by the respective state jurisdictions.

### Other Compensation

For additional discussion on other compensation received by Advisor, its owners or its representatives, please refer to **Additional Compensation** under **Item 5, Fees and Compensation**, and **Item 10, Other Financial Industry Activities and Affiliations**. Please see **Item 12, Brokerage Practices**, for discussion about the services and products Advisor may receive from custodians of client accounts.

## Item 15 – Custody

Custody, as it applies to investment advisors, has been defined as having access or control over client funds and/or securities, but does **not** include the ability to execute transactions in client accounts. Custody is not limited to physically holding client funds and securities. If an investment advisor has the ability to access or control client funds or securities, the investment advisor is deemed to have custody for purposes of the *Investment Advisers Act of 1940* and must ensure proper procedures are implemented. Please note that regulators have deemed the authorization to trade in client accounts to not be custody. However, we are deemed to have custody of client funds and securities whenever we are given the authority to have fees deducted directly from client accounts. Our procedures do **not** result in our maintaining custody of client funds and securities.

For accounts where we are deemed to have custody, we have established procedures to ensure all client funds and securities are held at a qualified custodian in a separate account for each client under that client's name. Clients or an independent representative of the client will direct, in writing, the creation of all accounts and therefore are aware of the qualified custodian's name, address and the manner in which the funds or securities are maintained. Finally, account statements are delivered directly from the qualified custodian to each client, or the client's independent representative, at least quarterly. Clients should carefully review those statements and are urged to compare the statements against reports received from us. When clients have questions about their account statements, they should contact us or the qualified custodian preparing the statement.

## **Item 16 – Investment Discretion**

Asset management services are provided on both a discretionary and non-discretionary basis. On a discretionary basis, the Advisor makes all decisions to buy, sell or hold securities, cash or other investments in the managed account in its sole discretion without consulting with the client before implementing any transactions. Clients must provide Advisor with written authorization to exercise this discretionary authority. Clients can impose reasonable restrictions on management of their accounts.

When discretionary authority is granted, it is limited. Advisor does not have access to client funds and/or securities with the exception of having advisory fees deducted from the client's account and paid to Advisor by the account custodian. Any fee deduction is done pursuant to the client's prior written authorization provided to the account custodian.

If management services are provided on a non-discretionary basis, the Advisor always contacts the client before implementing any transactions in an account. Clients must accept or reject Advisor's investment recommendations, including (1) the security being recommended, (2) the number of shares or units and (3) whether to buy or sell. Once these factors are agreed upon, Advisor is responsible for making decisions regarding the timing of the purchase or sale and the price at which it is bought or sold. Clients should know that if they are not able to be reached or are slow to respond to Advisor's request, it can have an adverse impact on the timing of implementing trades and Advisor may not achieve the optimal trading price.

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

Advisor recognizes its responsibility as fiduciary of its clients' portfolios. As fiduciary, it is Advisor's policy to act solely in the best interests of clients and their beneficiaries. Advisor complies with SEC Rule 206(4)-6 relative to proxy voting policies and procedures and has taken several steps to ensure that it is acting in clients' best interests and pursuant to regulatory requirements:

- Matters are generally voted with management.
- If, through research, Advisor determines that management is not acting in the best interests of shareholders, the stock is reviewed by the Advisor's Investment Committee for possible sale.
- Clients may request documentation indicating how specific proxies were voted on their behalf at any time from the firm.
- To ensure that all proxies are voted in a timely manner, the firm utilizes the services of Broadridge. The website is checked on a weekly basis for pending proxies (daily during proxy season). Historical records of the proxies voted are maintained at Broadridge. The bulk of the proxies are handled in this manner. For the custodians that do not have the capability to electronically send the proxies to Broadridge and only mail hard copies, each hard copy received is voted on Proxyvote.com and a confirmation is requested and filed with the original proxy ballot.
- Disclosure is made to all clients regarding Advisor's duties to vote proxies, handle corporate reorganization and corporate actions in Advisor's Investment Advisory Agreement with the client and in this disclosure brochure.
- The firm maintains extensive research files on all companies owned.

Clients may request documentation on how specific proxies were voted on their behalf at any time from Lisa Najdowski at (770) 859-0045.

## **Item 18 – Financial Information**

This item is not applicable to Advisor's brochure. Advisor does not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. Therefore, Advisor is not required to

include a balance sheet for its most recent fiscal year. Advisor is not subject to a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. Finally, Advisor has not been the subject of a bankruptcy petition at any time.

### **Customer Privacy Policy**

Advisor collects non-public personal information about clients from the following sources:

- Information we receive from the client on applications or other forms; and
- Information about the clients' transactions with us or others

It does not disclose any non-public personal information about clients to anyone, except as permitted by law or specifically permitted by the client. If the client decides to close their account(s) or become an inactive customer, Advisor adheres to the privacy policies and practices as described in this notice. Every client also has an opportunity to opt out.

Advisor restricts access to its clients' personal and account information to those employees who need to know that information to provide products or services to the client. Advisor maintains physical, electronic, and procedural safeguards to guard clients' non-public personal information.

All information about clients, their investments, fee arrangements and their personal lives is confidential to the firm. The only time the information is shared with others is when directed to do so by the client.

Violation of client confidentiality is not tolerated and strictly enforced by Advisor with its employees.

Client Information Collected:

- Client Name
- Address, Phone Numbers, E-mail Address
- Occupation & Employer
- Social Security Number
- Date of Birth
- Portfolio Values & Holdings
- Transaction History
- Account Numbers

Client information is disclosed to the following as permitted under Section 502(E)(1) by the *Gramm-Leach-Bliley Act*:

- Broker/dealers in the course of executing transactions
- Custodians (Advisor does not custody assets for clients)
- Performance auditor – Client names and account values may be divulged
- Portfolio accounting systems – as the vendor they may have access to Advisor's portfolio accounting systems
- Proxy voting service
- E-mail retention service
- Advisor's attorney
- SEC auditors
- Advisor's insurance company and agent
- Computer technicians
- Class action filing service