

## Item 1 Cover Page

### Part 2A of Form ADV: *Firm Brochure*

#### **Timothy J. Ellis, Inc.**

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**February 10, 2017**

This brochure provides information about the qualifications and business practices of Timothy J. Ellis, Inc. If you have any questions about the contents of this brochure, please contact us at (315) 455-6955 or [timellis2@twcny.rr.com](mailto:timellis2@twcny.rr.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Registration as an investment adviser does not imply a certain level of skill or training.

Additional information about Timothy J. Ellis, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 126188.

## **Item 2    Material Changes**

We have no material changes to report since the previous annual filing of our Firm Brochure dated March 17, 2016.

Our current Form ADV Part 2A ("Firm Brochure") is available to our existing and prospective clients 24 hours a day through the Investment Adviser Public Disclosure website. Additionally, we will annually and within 120 days of the end of our fiscal year, provide you either: (i) a copy of our Firm Brochure that includes or is accompanied by a summary of material changes; or (ii) a summary of material changes that includes an offer to provide a copy of the current Firm Brochure. We urge you to carefully review all subsequent summaries of material changes, as they will contain important information about any significant changes to our firm, including but not limited to advisory services, fee structure, business practices, conflicts of interest, and disciplinary history.

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## Item 4 Advisory Business

Timothy J. Ellis, Inc. (hereinafter “firm” or “we” or “our”) is a registered investment adviser with its principal place of business located in Syracuse, New York. We began conducting business in 1992.

Listed below are the firm's principal shareholders (i.e., those individuals and/or entities controlling 25% or more of our firm).

- Timothy J. Ellis, President

We offer the following advisory services to clients:

### **INVESTMENT SUPERVISORY SERVICES** **Individual Portfolio Management**

We provide continuous advice to a client regarding the investment of client funds based on the individual needs of the client. Through personal discussions in which goals and objectives based on a client's particular circumstances are established, we develop a client's personal investment policy and create and manage a portfolio based on that policy. During our data-gathering process, we determine the client's individual objectives, time horizons, risk tolerance, and liquidity needs. As appropriate, we also review and discuss a client's prior investment history, as well as family composition and background.

We manage these advisory accounts on a non-discretionary basis. Account supervision is guided by the client's stated objectives (i.e., maximum capital appreciation, growth, income, or growth and income), as well as tax considerations.

Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors.

Our investment recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company and will generally include advice regarding the following securities:

- Exchange-listed securities
- Certificates of deposit
- Corporate debt
- Tax-exempt bonds
- U.S. Treasury securities

Because some types of investments involve certain additional degrees of risk, they will only be implemented/recommended when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability.

The bonds selected for a portfolio must have a rating of “A” or better from Standard and Poor’s and Moody’s. Each month, bonds are reviewed to insure that the ratings of bonds held do not fall below an “A” rating. Should the rating fall below “A”, we address this with the client so that the client can either hold the position or sell the security. We do not use mutual funds in its portfolios.

We use certificates of deposit that are insured and will only hold to the Federal Reserve Limits for each client account.

## **FINANCIAL PLANNING**

We provide financial planning services. Financial planning is a comprehensive evaluation of a client’s current and future financial state by using currently known variables to predict future cash flows, asset values and withdrawal plans. Through the financial planning process, all questions, information and analysis are considered as they impact and are impacted by the entire financial and life situation of the client. Clients purchasing this service receive a written report which provides the client with a detailed financial plan designed to assist the client achieve his or her financial goals and objectives.

In general, the financial plan can address any or all of the following areas:

- PERSONAL: We review family records, budgeting, personal liability, estate information and financial goals.
- TAX & CASH FLOW: We analyze the client’s income tax and spending and planning for past, current and future years; then illustrate the impact of various investments on the client's current income tax and future tax liability.
- INVESTMENTS: We analyze investment alternatives and their effect on the client's portfolio.
- INSURANCE: We review existing policies to ensure proper coverage for life, health, disability, long-term care, liability, home and automobile.
- RETIREMENT: We analyze current strategies and investment plans to help the client achieve his or her retirement goals.
- DEATH & DISABILITY: We review the client’s cash needs at death, income needs of surviving dependents, estate planning and disability income.
- ESTATE: We assist the client in assessing and developing long-term strategies, including as appropriate, living trusts, wills, review estate tax, powers of attorney, asset protection plans, nursing homes, Medicaid and elder law.

We gather required information through in-depth personal interviews. Information gathered includes the client's current financial status, tax status, future goals, returns objectives and attitudes towards risk. We carefully review documents supplied by the client, including a questionnaire completed by the client, and prepare a written report. Should the client choose to implement the recommendations contained in the plan, we suggest the client work closely with his/her attorney, accountant, insurance agent, and/or stockbroker. Implementation of financial plan recommendations is entirely at the client's discretion.

We also provide general non-securities advice on topics that may include tax and budgetary planning, estate planning and business planning.

Typically the financial plan is presented to the client within six months of the contract date, provided that all information needed to prepare the financial plan has been promptly provided.

Financial Planning recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company. All recommendations are of a generic nature.

### **CONSULTING SERVICES**

Clients can also receive investment advice on a more focused basis. This may include advice on only an isolated area(s) of concern such as estate planning, retirement planning, or any other specific topic. We also provide specific consultation and administrative services regarding investment and financial concerns of the client. Consulting recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company. All recommendations are of a generic nature.

### **AMOUNT OF MANAGED ASSETS**

As of 12/31/2016, we were actively managing \$66,331,960 of client assets on a non-discretionary basis. We do not manage client assets on a discretionary basis.

## Item 5 Fees and Compensation

### INVESTMENT SUPERVISORY SERVICES Individual Portfolio Management

Our fee for managing investment portfolios is based upon a flat fee of market value of assets managed. Fees may be negotiable.

<b><u>Market Value of Asset Managed</u></b>	<b><u>Annual Fee</u></b>
First \$100,000	\$500.00
\$100,001 to \$200,000	\$750.00
\$200,001 to \$400,000	\$840.00
\$400,001 to \$750,000	\$950.00
\$750,001 to \$1,000,000	\$1,100.00
Over \$1,000,000	\$1,200.00

<b><u>Example</u></b>	<b><u>Market Value</u></b>	<b><u>Semi-Annual</u></b>
1/1 - 6/30	\$100,000	\$250.00
7/1 - 12/31	\$100,000	\$250.00

Our fees are billed semi-annually in arrears based upon the value (market value or fair market value in the absence of market value), of the client's account at the end of the previous billing period. Clients will either receive an invoice or have their fees directly debited from their accounts in accordance with the client authorization in the Client Services Agreement.

A minimum of \$100,000 of assets under management is required for this service. The minimum account size may be negotiable under certain circumstances.

***Limited Negotiability of Advisory Fees:*** Although Timothy J. Ellis, Inc. has established the aforementioned fee schedule(s), we retain the discretion to negotiate alternative fees on a client-by-client basis. Client facts, circumstances and needs are considered in determining the fee schedule. These include the complexity of the client, assets to be placed under management, anticipated future additional assets; related accounts; portfolio style, account composition, reports, among other factors. The specific annual fee schedule is identified in the contract between the adviser and each client.

We may group certain related client accounts for the purposes of achieving the minimum account size requirements and determining the annualized fee. Discounts, not generally available to our advisory clients, may be offered to family members and friends of associated persons of our firm.

## FINANCIAL PLANNING & CONSULTING FEES

Timothy J. Ellis, Inc.'s Financial Planning and Consulting fees are determined based on the nature of the services being provided and the complexity of each client's circumstances. All fees are agreed upon prior to entering into a contract with any client.

**Fee Offset:** Timothy J. Ellis, Inc. reserves the discretion to reduce or waive the financial planning and consulting fee if a financial planning client chooses to engage us for our Portfolio Management Services.

## GENERAL INFORMATION

**Termination of the Advisory Relationship:** A client agreement may be canceled at any time, by either party, for any reason upon receipt of written notice. Upon termination of any account, any prepaid, unearned fees will be promptly refunded.

**Mutual Fund Fees:** All fees paid to Timothy J. Ellis, Inc. for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or ETFs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a mutual fund directly, without our services. In that case, the client would not receive the services provided by our firm which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

**Additional Fees and Expenses:** In addition to our advisory fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker dealers, including, but not limited to, any transaction charges imposed by a broker dealer with which an independent investment manager effects transactions for the client's account(s). Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information.

**ERISA Accounts:** Timothy J. Ellis, Inc. is deemed to be a fiduciary to advisory clients that are employee benefit plans or individual retirement accounts (IRAs) pursuant to the Employee Retirement Income and Securities Act ("ERISA"), and regulations under the Internal Revenue Code of 1986 (the "Code"), respectively. . As such, our firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, Timothy J. Ellis, Inc. may only charge fees for investment advice about products for which our firm and/or our related persons do not receive any commissions or 12b-1 fees, or conversely, investment advice about products for which our firm and/or our related persons receive commissions or 12b-1



fees, however, only when such fees are used to offset Timothy J. Ellis, Inc.'s advisory fees.

***Advisory Fees in General:*** Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers for similar or lower fees.

***Limited Prepayment of Fees:*** Under no circumstances do we require or solicit payment of fees in excess of \$1,200 more than six months in advance of services rendered.

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

We do not charge performance-based fees.

## **Item 7 Types of Clients**

We provide advisory services to the following types of clients:

- Individuals (other than high net worth individuals)
- High net worth individuals
- Pension and profit sharing plans (other than plan participants)
- Charitable organizations

As previously disclosed in Item 5, our firm has established certain initial minimum account requirements, based on the nature of the service(s) being provided. For a more detailed understanding of those requirements, please review the disclosures provided in each applicable service.

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

### **Methods of Analysis**

We use the following methods of analysis in formulating our investment advice and/or managing client assets:

***Fundamental Analysis.*** We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell).

Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

**Technical Analysis.** We analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement.

Technical analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly-managed or financially unsound company may underperform regardless of market movement.

**Cyclical Analysis.** In this type of technical analysis, we measure the movements of a particular stock against the overall market in an attempt to predict the price movement of the security.

Our main sources of research information include Standard and Poor's *The Outlook*, *Wall Street Journal*, corporate rating services, annual reports, filings with United States Securities and Exchange Commission, and research materials prepared by others.

**Risks for all forms of analysis.** Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

### **Investment Strategies**

We use the following strategies in managing client accounts, provided that such strategies are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:

**Long-term purchases.** We purchase securities with the idea of holding them in the client's account for a year or longer. Typically we employ this strategy when:

we believe the securities to be currently undervalued, and/or  
we want exposure to a particular asset class over time, regardless of the current projection for this class.

A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantage of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

**Short-term purchases.** When utilizing this strategy, we purchase securities with the idea of selling them within a relatively short time (typically a year or less). We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase.

A short-term purchase strategy poses risks should the anticipated price swing not materialize; we are then left with the option of having a long-term investment in a security that was designed to be a short-term purchase, or potentially taking a loss.

In addition, this strategy involves more frequent trading than does a longer-term strategy, and will result in increased brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains.

**Risk of Loss.** Securities investments are not guaranteed and you may lose money on your investments. We ask that you work with us to help us understand your tolerance for risk. Investing in securities requires risk of loss that clients should be prepared to bear.

## **Item 9    Disciplinary Information**

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

Our firm and our management personnel have no reportable disciplinary events to disclose.

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

The President of our firm, Timothy Ellis, in his individual capacity, also manages a seasonal tax preparation service (February 1 – April 15). Tax preparation services provided Mr. Ellis are separate and distinct from our firm's advisory services and are provided for separate and typical compensation. No advisory client of Timothy J. Ellis, Inc. is obligated to use Mr. Ellis for tax preparation services, and conversely, no tax preparation client is obligated to use the advisory services of Timothy J. Ellis, Inc. Mr. Ellis conduct tax preparation services after securities trading hours (at night and on weekends).

Clients should be aware that the receipt of any additional compensation by Mr. Ellis creates a conflict of interest. We take the following steps to address this conflict:

we disclose to clients the existence of all material conflicts of interest, including the potential for our employees to earn compensation from advisory clients in addition to our firm's advisory fees;  
we disclose to clients that they are not obligated to purchase recommended products or services from our employees;  
we collect, maintain and document accurate, complete and relevant client background information, including the client's financial goals, objectives and risk tolerance;  
we conduct regular reviews of each client account to verify that all recommendations made to a client are suitable to the client's needs and circumstances;  
we educate our employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients.

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

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws.

Timothy J. Ellis, Inc. and our personnel owe a duty of loyalty, fairness and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

Our Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's access persons. Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our code also provides for oversight, enforcement and recordkeeping provisions.

Timothy J. Ellis, Inc.'s Code of Ethics further includes the firm's policy prohibiting the use of material non-public information. While we do not believe that we have any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email sent to [timellis2@twcny.rr.com](mailto:timellis2@twcny.rr.com), or by calling us at (315) 455-6955.

Timothy J. Ellis, Inc. and individuals associated with our firm are prohibited from engaging in principal transactions.

Timothy J. Ellis, Inc. and individuals associated with our firm are prohibited from engaging in agency cross transactions.

Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

Our firm and/or individuals associated with our firm may buy or sell for their personal accounts securities identical to or different from those recommended to our clients. In addition, any related person(s) may have an interest or position in a certain security(ies) which may also be recommended to a client.

It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, thereby preventing such employee(s) from benefiting from transactions placed on behalf of advisory accounts.

We may aggregate our employee trades with client transactions where possible and when compliant with our duty to seek best execution for our clients. In these instances, participating clients will receive an average share price and transaction costs will be shared equally and on a pro-rata basis. In the instances where there is a partial fill of a particular batched order, we will allocate all purchases pro-rata, with each account paying the average price. Our employee accounts will be excluded in the pro-rata allocation.

As these situations represent actual or potential conflicts of interest to our clients, we have established the following policies and procedures for implementing our firm's Code of Ethics, to ensure our firm complies with its regulatory obligations and provides our clients and potential clients with full and fair disclosure of such conflicts of interest:

No principal or employee of our firm may put his or her own interest above the interest of an advisory client.

No principal or employee of our firm may buy or sell securities for their personal portfolio(s) where their decision is a result of information received as a result of his or her employment unless the information is also available to the investing public.

It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account. This prevents such employees from benefiting from transactions placed on behalf of advisory accounts.

Our firm requires prior approval for any IPO or private placement investments by related persons of the firm.

We maintain a list of all reportable securities holdings for our firm and anyone associated with this advisory practice that has access to advisory recommendations

("access person"). These holdings are reviewed on a regular basis by our firm's Chief Compliance Officer.

We have established procedures for the maintenance of all required books and records. All of our principals and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.

We require delivery and acknowledgement of the Code of Ethics by each supervised person of our firm.

We have established policies requiring the reporting of Code of Ethics violations to our senior management.

Any individual who violates any of the above restrictions may be subject to termination.

## **Item 12 Brokerage Practices**

**Soft Dollars.** Our firm does not have any soft-dollar arrangements and does not receive any soft-dollar benefits.

**Recommended Broker-Dealers.** For clients in need of brokerage or custodial services, and depending on client circumstances and needs, we may recommend the use of one of several broker-dealers ("brokers") (including, but not limited to Pinnacle Investments, Morgan Stanley Smith Barney, Wells Fargo and Merrill Lynch), provided that such recommendation is consistent with our firm's fiduciary duty to the client. Our clients must evaluate these brokers before opening an account. The factors we consider when making these recommendations are the broker's ability to provide professional services, our experience with the broker, the broker's reputation, the broker's quality of execution services and costs of such services, among other factors. Clients are not under any obligation to effect trades through any recommended broker.

**Directed Brokerage.** As our firm does not have the discretionary authority to determine the broker to be used or the commission rates to be paid, clients must direct our firm as to the broker to be used. In directing the use of a particular broker, it should be understood that we will not have authority to negotiate commissions or to necessarily obtain volume discounts, and best execution may not be achieved. We reserve the right to decline acceptance of any client account for which the client directs the use of a broker that we believe would hinder our fiduciary duty to the client and/or our ability to service the account. Clients should note, while we have a reasonable belief that the brokers we recommend are able to obtain best execution and competitive prices, our firm will not be independently seeking best execution price capability through other brokers.

**Trade aggregation/Block trading.** We will block trades where possible and when advantageous to clients. This blocking of trades permits the trading of aggregate blocks

of securities composed of assets from multiple client accounts, so long as transaction costs are shared equally and on a pro-rated basis between all accounts included in any such block.

Block trading may allow us to execute equity trades in a timelier, more equitable manner, at an average share price. We will typically aggregate trades among clients whose accounts can be traded at a given broker, and generally will rotate or vary the order of brokers through which it places trades for clients on any particular day. Our block trading policy and procedures are as follows:

Transactions for any client account may not be aggregated for execution if the practice is prohibited by or inconsistent with the client's advisory agreement with Timothy J. Ellis, Inc., or our firm's order allocation policy.

The trading desk in concert with the portfolio manager must determine that the purchase or sale of the particular security involved is appropriate for the client and consistent with the client's investment objectives and with any investment guidelines or restrictions applicable to the client's account.

The portfolio manager must reasonably believe that the order aggregation will benefit, and will enable Timothy J. Ellis, Inc. to seek best execution for each client participating in the aggregated order. This requires a good faith judgment at the time the order is placed for the execution. It does not mean that the determination made in advance of the transaction must always prove to have been correct in the light of a "20-20 hindsight" perspective. Best execution includes the duty to seek the best quality of execution, as well as the best net price.

Prior to entry of an aggregated order, a written order ticket must be completed which identifies each client account participating in the order and the proposed allocation of the order, upon completion, to those clients.

If the order cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day must be allocated pro rata among the participating client accounts in accordance with the initial order ticket or other written statement of allocation. However, adjustments to this pro rata allocation may be made to participating client accounts in accordance with the initial order ticket or other written statement of allocation. Furthermore, adjustments to this pro rata allocation may be made to avoid having odd amounts of shares held in any client account, or to avoid excessive ticket charges in smaller accounts.

Generally, each client that participates in the aggregated order must do so at the average price for all separate transactions made to fill the order, and must share in the commissions on a pro rata basis in proportion to the client's participation. Under the client's agreement with the custodian/broker, transaction costs may be based on the number of shares traded for each client.

If the order will be allocated in a manner other than that stated in the initial statement of allocation, a written explanation of the change must be provided to and approved by the Chief Compliance Officer no later than the morning following the execution of the aggregate trade.

Timothy J. Ellis, Inc.'s client account records separately reflect, for each account in which the aggregated transaction occurred, the securities which are held by, and bought and sold for, that account.

Funds and securities for aggregated orders are clearly identified on Timothy J. Ellis, Inc.'s records and to the broker-dealers or other intermediaries handling the transactions, by the appropriate account numbers for each participating client.

No client or account will be favored over another.

## **Item 13   Review of Accounts**

### **INVESTMENT SUPERVISORY SERVICES Individual Portfolio Management**

**REVIEWS:** While the underlying securities within Individual Portfolio Management Services accounts are continually monitored, these accounts are reviewed at least quarterly. Accounts are reviewed in the context of each client's stated investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment.

These accounts are reviewed by Timothy J. Ellis, President.

**REPORTS:** In addition to the monthly statements and confirmations of transactions that clients receive from their broker-dealer, we provide annual reports summarizing account performance, balances and holdings.

### **FINANCIAL PLANNING & CONSULTING SERVICES**

**REVIEWS:** While reviews may occur at different stages depending on the nature and terms of the specific engagement, typically no formal reviews will be conducted for Financial Planning clients unless otherwise contracted for.

**REPORTS:** Financial Planning clients will receive a completed financial plan. Additional reports will not typically be provided unless otherwise contracted for.



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

It is our policy not to engage solicitors or to pay related or non-related persons for referring potential clients to our firm.

Furthermore, it is our policy not to accept or allow our related persons to accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services we provide to our clients.

## **Item 15 Custody**

### ***Related Person Serving as Trustee:***

The President of our firm serves as trustee for certain advisory client accounts and therefore has custody of the client assets in those accounts. Accordingly, our firm must undergo an annual surprise examination by an independent public accountant ("accountant"). The accountant must submit Form ADV-E accompanied by the accountant's certificate to the SEC within 120 days of the surprise examination, and the accountant must notify the SEC within one (1) business day of finding any material discrepancy during the course of an examination.

### ***Direct Debiting of Advisory Fees:***

We previously disclosed in the "Fees and Compensation" section (Item 5) of this Brochure that our firm directly debits advisory fees from client accounts.

As part of this billing process, the client's custodian is advised of the amount of the fee to be deducted from that client's account. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period.

Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact us directly if they believe that there may be an error in their statement.

In addition to the periodic statements that clients receive directly from their custodians, we also send account statements directly to our clients on an annual basis. We urge our clients to carefully compare the information provided on these statements to ensure that all account transactions, holdings and values are correct and current.

## **Item 16 Investment Discretion**

As previously disclosed in Item 4 of this brochure, our firm does not provide discretionary asset management services; we manage client assets only on a non-discretionary basis. Therefore, we will obtain the client's approval before executing transactions in the client's account.

## **Item 17 Voting Client Securities**

As a matter of firm policy, we do not vote proxies on behalf of clients. Therefore, although our firm may provide investment advisory services relative to client investment assets, clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets. Clients are responsible for instructing each custodian of the assets, to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets.

We do not offer any consulting assistance regarding proxy issues to clients.

## **Item 18 Financial Information**

As an advisory firm that is deemed to have custody, we are also required to disclose any financial condition that is reasonable likely to impair our ability to meet our contractual obligations. We have no such financial circumstances to report.

Under no circumstances do we require or solicit payment of fees in excess of \$1,200 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

Timothy J. Ellis, Inc. has not been the subject of a bankruptcy petition at any time during the past ten years.