

# Disclosure Brochure

May 24, 2013

## **Reed & Ball, Inc.**

*a Registered Investment Adviser*

1000 Newbury Road, Suite 205  
Thousand Oaks, CA 91320

(805) 376-2779

[www.reedball.com](http://www.reedball.com)

This brochure provides information about the qualifications and business practices of Reed & Ball, Inc. (hereinafter "R&B"). If you have any questions about the contents of this brochure, please contact Deborah Reed at (805) 376-2779. 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 Reed & Ball, Inc. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Reed & Ball, Inc. is an SEC registered investment adviser. Registration does not imply any level of skill or training.

## **Item 2. Material Changes**

This Item discusses only the material changes that have occurred since R&B's last annual update dated April 1, 2013. R&B has no material changes to disclose.

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## Item 4. Advisory Business

R&B provides financial planning, consulting, and investment management services. Prior to engaging R&B to provide any of the foregoing investment advisory services, the client is required to enter into one or more written agreements with R&B setting forth the terms and conditions under which R&B renders its services (collectively the “*Agreement*”).

R&B has been in business as an SEC registered investment adviser since September 19, 2007. Jason L. Ball and Deborah F. Reed are the principal owners of R&B. As of May 15, 2013, the firm has \$100,308,580 of assets under management, of which \$93,822,832 is managed on a discretionary basis and \$6,485,748 is managed on a non-discretionary basis.

This Disclosure Brochure describes the business of R&B. Certain sections will also describe the activities of *Supervised Persons*. *Supervised Persons* are any of R&B’s officers, partners, directors (or other persons occupying a similar status or performing similar functions), or employees, or any other person who provides investment advice on R&B’s behalf and is subject to R&B’s supervision or control.

This Disclosure Brochure contains all material conflicts of interest that the firm believes reasonably can impair it in rendering unbiased and objective advice.

### Financial Planning and Consulting Services

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R&B may provide its clients with a broad range of comprehensive wealth management and consulting services. These services include business planning, investments, insurance, retirement, education, estate planning, and tax and cash flow needs of the client.

In performing its services, R&B is not required to verify any information received from the client or from the client’s other professionals (e.g., attorney, accountant, etc.) and is expressly authorized to rely on such information as provided. R&B may recommend the services of itself to implement its recommendations. Clients are advised that a conflict of interest exists if R&B recommends its own services. The client is under no obligation to act upon any of the recommendations made by R&B under a financial planning or consulting engagement or to engage the services of any such recommended professional, including R&B itself. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any of R&B’s recommendations. Clients are advised that it remains their responsibility to promptly notify R&B if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating, or revising R&B’s previous recommendations and/or services.

### Investment Management Services

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Clients can engage R&B to manage all or a portion of their assets on a discretionary or non-discretionary basis.

R&B primarily allocates clients' investment management assets among mutual funds, exchange-traded funds ("ETFs"), individual debt and equity securities and/or options as well as the securities components of variable annuities and variable life insurance contracts in accordance with the investment objectives of the client. R&B also provides advice about any type of investment held in clients' portfolios.

R&B also may render non-discretionary investment management services to clients relative to variable life/annuity products that they may own, their individual employer-sponsored retirement plans, or other products that may not be held by the client's primary custodian. In so doing, R&B either directs or recommends the allocation of client assets among the various investment options that are available with the product. Client assets are maintained at the specific insurance company or custodian designated by the product.

R&B tailors its advisory services to the individual needs of clients. R&B consults with clients initially and on an ongoing basis to determine risk tolerance, time horizon and other factors that may impact the clients' investment needs. R&B ensures that clients' investments are suitable for their investment needs, goals, objectives and risk tolerance.

Clients are advised to promptly notify R&B if there are changes in their financial situation or investment objectives or if they wish to impose any reasonable restrictions upon R&B's management services. Clients may impose reasonable restrictions on the management of their account (e.g., require that a portion of their assets be invested in socially responsible funds) if, in R&B's sole discretion, the conditions will not materially impact the performance of a portfolio strategy or prove overly burdensome to its management efforts.

### **Item 5. Fees and Compensation**

R&B offers its services on a fee basis, which may include hourly and/or fixed fees, as well as fees based upon assets under management.

#### **Financial Planning and Consulting Fees**

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R&B may charge a fixed fee and/or hourly fee for financial planning and consulting services. These fees are negotiable, but generally range from \$3,000 to \$10,000 on a fixed fee basis and/or from \$200 to \$250 on an hourly rate basis, depending upon the level and scope of the services and the professional rendering the financial planning and/or the consulting services. If the client engages R&B for additional investment advisory services, R&B may offset all or a portion of its fees for those services based upon the amount paid for the financial planning and/or consulting services. In addition, R&B's annual fee for investment management services, as described below, may include ongoing financial planning and consulting services if the assets under management for the client are greater than \$1,000,000.

Prior to engaging R&B to provide financial planning and/or consulting services, the client is required to enter into a written agreement with R&B setting forth the terms and conditions of the engagement.

Generally, R&B requires one-half of the financial planning / consulting fee (estimated hourly or fixed) payable upon entering the written agreement. The balance is generally due upon delivery of the financial plan or completion of the agreed upon services.

### **Investment Management Fee**

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R&B provides investment management services for an annual fee based upon a percentage of the market value of the assets being managed by R&B. R&B's annual fee is exclusive of, and in addition to brokerage commissions, transaction fees, and other related costs and expenses which are incurred by the client. R&B does not, however, receive any portion of these commissions, fees, and costs. R&B's annual fee is prorated and charged quarterly, in advance, based upon the market value of the assets being managed by R&B on the last day of the previous quarter. The annual fee varies (between 0.50% and 1.25%) depending upon the market value of the assets under management and the type of investment management services to be rendered, as follows:

<b><u>PORTFOLIO VALUE</u></b>	<b><u>ANNUAL FEE</u></b>
up to \$800,000	1.25%
\$800,001 - \$1,000,000	1.00%
\$1,000,001 - \$1,250,000	0.90%
\$1,250,001 - \$1,500,000	0.87%
\$1,500,001 – 2,000,000	0.85%
\$2,000,001 - \$2,500,000	0.80%
\$2,500,001 - \$3,000,000	0.77%
\$3,000,001 - \$10,000,000	0.75%
above \$10,000,000	0.50%

Lower fees for comparable services may be available from other sources.

As further discussed in response to Item 7 (below), R&B generally imposes a minimum portfolio value for its investment management services. In the event R&B accepts accounts below the minimum portfolio value, R&B's annual fee will be 1.50%. R&B in its sole discretion, may negotiate to charge a lesser management fee based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, *pro bono* activities, etc.).

### **Fees Charged by Financial Institutions**

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As further discussed in response to Item 12 (below), R&B generally recommends that clients utilize the brokerage and clearing services of Fidelity Institutional Wealth Services ("*Fidelity*") for investment management accounts.

R&B may only implement its investment management recommendations after the client has arranged for and furnished R&B with all information and authorization regarding accounts with appropriate financial institutions. Financial institutions include, but are not limited to, *Fidelity*, any other broker-dealer recommended by R&B, broker-dealer directed by the client, trust companies, banks etc. (collectively referred to herein as the “*Financial Institutions*”).

Clients may incur certain charges imposed by the *Financial Institutions* and other third parties, such as custodial fees, charges imposed directly by a mutual fund or investments such as ETFs in the account, which are disclosed in the fund’s prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Additionally, for assets outside of any wrap fee programs, clients may incur brokerage commissions and transaction fees. Such charges, fees and commissions are exclusive of and in addition to R&B’s fee.

R&B’s *Agreement* and the separate agreement with any *Financial Institutions* may authorize R&B to debit the client’s account for the amount of R&B’s fee and to directly remit that management fee to R&B. Any *Financial Institutions* recommended by R&B have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to R&B.

### **Fees for Management During Partial Quarters of Service**

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For the initial period of investment management services, the fees are calculated on a *pro rata* basis.

The *Agreement* between R&B and the client will continue in effect until terminated by either party pursuant to the terms of the *Agreement*. R&B’s fees are prorated through the date of termination and any remaining balance is charged or refunded to the client, as appropriate.

Clients may make additions to and withdrawals from their account at any time, subject to R&B’s right to terminate an account. Additions may be in cash or securities provided that R&B reserves the right to liquidate any transferred securities or decline to accept particular securities into a client’s account. Clients may withdraw account assets on notice to R&B, subject to the usual and customary securities settlement procedures. However, R&B designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client’s investment objectives. R&B may consult with its clients about the options and ramifications of transferring securities. However, clients are advised that when transferred securities are liquidated, they are subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications.

If assets are deposited into or withdrawn from an account after the inception of a quarter, the fee payable with respect to such assets will not be prorated.

### Item 6. Performance-Based Fees and Side-by-Side Management

R&B does not provide any services for performance-based fees. Performance-based fees are those based on a share of capital gains on or capital appreciation of the assets of a client.

### Item 7. Types of Clients

R&B provides its services to individuals (including high net worth individuals).

#### Minimum Account Size

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As a condition for starting and maintaining a relationship, R&B generally imposes a minimum portfolio size of \$500,000. R&B, in its sole discretion, may accept clients with smaller portfolios based upon certain criteria including anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, and *pro bono* activities. R&B only accepts clients with less than the minimum portfolio size if, in the sole opinion of R&B, the smaller portfolio size will not cause a substantial increase of investment risk beyond the client's identified risk tolerance. R&B may aggregate the portfolios of family members to meet the minimum portfolio size.

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

#### Methods of Analysis

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R&B's primary methods of analysis are fundamental, technical and cyclical analysis.

*Fundamental analysis* involves the fundamental financial condition and competitive position of a company. R&B will analyze the financial condition, capabilities of management, earnings, new products and services, as well as the company's markets and position amongst its competitors in order to determine the recommendations made to clients. The primary risk in using fundamental analysis is that while the overall health and position of a company may be good, market conditions may negatively impact the security.

*Technical analysis* involves the analysis of past market data rather than specific company data in determining the recommendations made to clients. Technical analysis may involve the use of charts to identify market patterns and trends which may be based on investor sentiment rather than the fundamentals of the company. The primary risk in using technical analysis is that spotting historical trends may not help to predict such trends in the future. Even if the trend will eventually reoccur, there is no guarantee that R&B will be able to accurately predict such a reoccurrence.

*Cyclical analysis* is similar to technical analysis in that it involves the analysis of market conditions at a macro (entire market/economy) or micro (company specific) level, rather than the overall fundamental



analysis of the health of the particular company that R&B is recommending. The risks with cyclical analysis are similar to those of technical analysis.

### Investment Strategies

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#### *Financial Planning*

R&B believes that successful wealth management can only be accomplished through the implementation of a comprehensive financial plan. How wealth is structured can have a greater impact on net returns than any single investment decision.

R&B's utilizes the following steps when providing financial planning services to its clients:

- *Establishing and defining the relationships* - R&B believes it is important to define the client's goals and the manner in which R&B and will work with the client to achieve those goals;
- *Discovering and gathering client data* – A thorough review of client information (past and present) is conducted in order for R&B to gain a better understanding of each client's current financial situation;
- *Organizing and analyzing the client's financial condition* – A meticulous evaluation is performed, weighing past and current activities relative to future goals;
- *Developing and presenting financial planning recommendations and alternatives* – Various techniques and alternative solutions are explored. Multiple options are developed and integrated into a comprehensive plan that focuses on client needs and objectives;
- *Implementing the financial planning recommendations* – Using the assistance of other professionals as needed, R&B coordinates the activities necessary to execute the plan. A plan without proper implementation has no value;
- *Monitoring the financial planning recommendations* – Ongoing reviews are essential for plan success. Regularly scheduled updates measure investment performance and determine how revisions in tax law or fluctuations in the general economic environment might impact the plan. These external variables along with changes in a client's personal circumstances must all be examined.

#### *Investment Management*

When providing investment management services to its clients, R&B follows the belief that a dynamic market requires a flexible strategy that measures and responds well to risk. R&B implements strategies intended to build and maintain client wealth throughout various market cycles.

In addition, R&B believes that successful investors:

- Follow a well defined investment strategy;
- Tend to be value oriented and disciplined in their approach to investing;

- Can quickly adapt to changing markets;
- Base their investment decisions on both fundamental and technical analysis;
- Have the freedom and flexibility to invest wherever they see opportunity;
- View their returns in relation to the amount of risk taken;
- Do not base success upon a single benchmark or index, but rather consider the portfolio relative to stated goals and objectives; and
- Utilize a broadly diversified list of asset classes and investment sectors.

### Risks of Loss

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#### *General Risk of Loss*

Investing in securities involves the risk of loss. Clients should be prepared to bear such loss.

#### *Market Risks*

All securities, particularly individual equity and debt securities, are subject to market volatility, economic factors and certain other market risks. The success of an investment may depend to a great extent upon correctly assessing the future course of price movements of stocks and bonds. There can be no assurance that R&B will be able to predict those price movements accurately.

#### *Mutual Funds and ETFs*

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at

least once daily for indexed-based ETFs and more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 50,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

### *Options*

Options allow investors to buy or sell a security at a contracted “strike” price (not necessarily the current market price) at or within a specific period of time. Clients may pay or collect a premium for buying or selling an option. Investors transact in options to either hedge (limit) losses in an attempt to reduce risk or to speculate on the performance of the underlying securities. Options transactions contain a number of inherent risks, including the partial or total loss of principal in the event that the value of the underlying security or index does not increase/decrease to the level of the respective strike price. Holders of options contracts are also subject to default by the option writer which may be unwilling or unable to perform its contractual obligations.

### *Management Through Similarly Managed Accounts*

For certain clients, R&B may manage portfolios by allocating portfolio assets among various securities on a discretionary basis using one or more of its proprietary investment strategies (collectively referred to as “*investment strategy*”). In so doing, R&B buys, sells, exchanges and/or transfers securities based upon the *investment strategy*.

R&B’s management using the *investment strategy* complies with the requirements of Rule 3a-4 of the Investment Company Act of 1940, as amended. Rule 3a-4 provides similarly managed accounts, such as the *investment strategy*, with a safe harbor from the definition of an investment company. Although the firm endeavors to consider the tax ramifications to all clients in the *investment strategy*, an individual client’s tax situation is not the primary consideration when exchanging or transferring securities held in the *investment strategy*. As further discussed in response to Item 12B (below), R&B allocates investment opportunities among its clients on a fair and equitable basis.

## **Item 9. Disciplinary Information**

R&B is required to disclose the facts of any legal or disciplinary events that are material to a client’s evaluation of its advisory business or the integrity of management. R&B does not have any required disclosures to this Item.

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

R&B is required to disclose any relationship or arrangement that is material to its advisory business or to its clients with certain related persons. R&B has described such relationships and arrangements below.

#### Registration as Insurance Agency

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R&B is a duly licensed insurance agency. Additionally, certain of R&B's *Supervised Persons*, in their individual capacities, are licensed insurance agents with various insurance companies, and in such capacity, may recommend, on a fully-disclosed basis, the purchase of certain insurance products. A conflict of interest exists to the extent that R&B or its *Supervised Persons* recommend the purchase of insurance products where R&B or its *Supervised Persons* receive insurance commissions or other additional compensation.

### Item 11. Code of Ethics

R&B and persons associated with R&B ("Associated Persons") are permitted to buy or sell securities that it also recommends to clients consistent with R&B's policies and procedures.

R&B has adopted a code of ethics ("*Code of Ethics*") made up of its personal securities transaction and insider trading policies and procedures. When R&B is purchasing or considering for purchase any security on behalf of a client, no *Covered Person* (as defined below) may effect a transaction in that security prior to the completion of the purchase or until a decision has been made not to purchase such security. Similarly, when R&B is selling or considering the sale of any security on behalf of a client, no *Covered Person* may effect a transaction in that security prior to the completion of the sale or until a decision has been made not to sell such security.

Unless specifically defined in R&B's procedures (summarized above), neither R&B nor any of R&B's Associated Persons may effect for himself or herself, for an Associated Person's immediate family (i.e., spouse, minor children, and adults living in the same household as the Associated Person), or for trusts for which the Associated Person serves as a trustee or in which the Associated Person has a beneficial interest (collectively "*Covered Persons*"), any transactions in a security which is being actively purchased or sold, or is being considered for purchase or sale, on behalf of any of R&B's clients.

The foregoing policies and procedures are not applicable to (a) transactions effected in any account over which neither R&B nor any of its *Supervised Persons* (as defined in this Form ADV) has any direct or indirect influence or control; and (b) transactions in securities that are: direct obligations of the government of the United States; bankers' acceptances, bank certificates of deposit, commercial paper, and high quality short-term debt instruments, including repurchase agreements; or shares issued by registered open-end investment companies.

This policy has been established recognizing that some securities being considered for purchase and sale on behalf of R&B's clients trade in sufficiently broad markets to permit transactions by clients to be completed without any appreciable impact on the markets of such securities. Under certain limited circumstances, exceptions may be made to the policies stated above. R&B will maintain records of these trades, including the reasons for any exceptions.

R&B also maintains and enforces written policies reasonably designed to prevent the unlawful use of material non-public information by R&B or any of its *Supervised Persons*.

Clients and prospective clients may contact R&B to request a copy of its *Code of Ethics*.

### Item 12. Brokerage Practices

As discussed above, in Item 5, R&B generally recommends that clients utilize the brokerage and clearing services of *Fidelity*

Factors which R&B considers in recommending *Fidelity* or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. The commissions and/or transaction fees charged by *Fidelity* may be higher or lower than those charged by other *Financial Institutions*.

The commissions paid by R&B's clients comply with R&B's duty to obtain "best execution." Clients may pay commissions that are higher than another qualified *Financial Institution* might charge to effect the same transaction where R&B determines that the commissions are reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a *Financial Institution's* services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. R&B seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

R&B periodically and systematically reviews its policies and procedures regarding its recommendation of *Financial Institutions* in light of its duty to obtain best execution.

The client may direct R&B in writing to use a particular *Financial Institution* to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that *Financial Institution*, and R&B will not seek better execution services or prices from other *Financial Institutions* or be able to "batch" client transactions for execution through other *Financial Institutions* with orders for other accounts managed by R&B (as described below). As a result, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, R&B may decline a client's request to direct brokerage if, in R&B's sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

Transactions for each client generally will be effected independently, unless R&B decides to purchase or sell the same securities for several clients at approximately the same time. R&B may (but is not obligated to) combine or “batch” such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among R&B’s clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among R&B’s clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that R&B determines to aggregate client orders for the purchase or sale of securities, including securities in which R&B’s *Supervised Persons* may invest, R&B generally does so in accordance with applicable rules and no-action guidance. R&B does not receive any additional compensation or remuneration as a result of the aggregation. In the event that R&B determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account’s assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a *de minimis* allocation in one or more accounts, R&B may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker-dealers in return for investment research products and/or services which assist R&B in its investment decision-making process. Such research generally will be used to service all of R&B’s clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client’s portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because R&B does not have to produce or pay for the products or services.

R&B has an arrangement with National Financial Services LLC and Fidelity Brokerage Services LLC (collectively, and together with all affiliates, “Fidelity”) through which Fidelity provides R&B with “institutional platform services.” The institutional platform services include, among others, brokerage, custody, and other related services. Fidelity’s institutional platform services that assist R&B in managing and administering clients’ accounts include software and other technology that (i) provide access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution and

allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing and other market data; (iv) facilitate payment of fees from its clients' accounts; and (v) assist with back-office functions, recordkeeping and client reporting.

Fidelity also offers other services intended to help R&B manage and further develop its advisory practice. Such services include, but are not limited to, performance reporting, financial planning, contact management systems, third party research, publications, access to educational conferences, roundtables and webinars, practice management resources, access to consultants and other third party service providers who provide a wide array of business related services and technology with whom R&B may contract directly.

R&B is independently operated and owned and is not affiliated with Fidelity.

Fidelity generally does not charge its advisor clients separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Fidelity or that settle into Fidelity accounts (i.e., transactions fees are charged for certain no-load mutual funds, commissions are charged for individual equity and debt securities transactions). Fidelity provides access to many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges.

### **Item 13. Review of Accounts**

For those clients to whom R&B provides investment management services, R&B monitors those portfolios as part of an ongoing process. Such reviews are conducted by the principals of R&B, Jason Ball and Deborah Reed. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with R&B and to keep R&B informed of any changes thereto. R&B contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client's financial situation and/or investment objectives.

Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for the client accounts. Those clients to whom R&B provides investment advisory services will also receive a report from R&B that may include such relevant account and/or market-related information such as an inventory of account holdings and account performance on a quarterly basis.

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

R&B is required to disclose any relationship or arrangement where it receives an economic benefit from a third party (non-client) for providing advisory services. In addition, R&B is required to disclose any direct or indirect compensation that it provides for client referrals. R&B does not have any required disclosures to this Item.



### Item 15. Custody

R&B's *Agreement* and/or the separate agreement with any *Financial Institution* may authorize R&B through such *Financial Institution* to debit the client's account for the amount of R&B's fee and to directly remit that management fee to R&B in accordance with applicable custody rules.

The *Financial Institutions* recommended by R&B have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to R&B. In addition, as discussed in Item 13, R&B also sends periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the *Financial Institutions* and compare them to those received from R&B.

### Item 16. Investment Discretion

R&B may be given the authority to exercise discretion on behalf of clients. R&B is considered to exercise investment discretion over a client's account if it can effect transactions for the client without first having to seek the client's consent. R&B is given this authority through a power-of-attorney included in the agreement between R&B and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). R&B takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold; and
- When transactions are made.

### Item 17. Voting Client Securities

R&B may vote client securities (proxies) on behalf of its clients. When R&B accepts such responsibility, it will only cast proxy votes in a manner consistent with the best interest of its clients. Absent special circumstances, which are fully described in R&B's Proxy Voting Policies and Procedures, all proxies will be voted consistent with guidelines established and described in R&B's Proxy Voting Policies and Procedures, as they may be amended from time-to-time. Clients may contact R&B to request information about how R&B voted proxies for that client's securities or to get a copy of R&B's Proxy Voting Policies and Procedures. A brief summary of R&B's Proxy Voting Policies and Procedures is as follows:

- R&B has formed a Proxy Voting Committee that will be responsible for monitoring corporate actions, making voting decisions in the best interest of clients, and ensuring that proxies are submitted in a timely manner.
- The Proxy Voting Committee will generally vote proxies according to R&B's then current Proxy Voting Guidelines. The Proxy Voting Guidelines include many specific examples of voting decisions for the types of proposals that are most frequently presented, including: composition of the board of directors; approval of independent auditors; management and director



compensation; anti-takeover mechanisms and related issues; changes to capital structure; corporate and social policy issues; and issues involving mutual funds.

- Although the Proxy Voting Guidelines are followed as a general policy, certain issues are considered on a case-by-case basis based on the relevant facts and circumstances. Since corporate governance issues are diverse and continually evolving, R&B devotes an appropriate amount of time and resources to monitor these changes.
- Clients cannot direct R&B's vote on a particular solicitation but can revoke R&B's authority to vote proxies.

In situations where there may be a conflict of interest in the voting of proxies due to business or personal relationships that R&B maintains with persons having an interest in the outcome of certain votes, R&B takes appropriate steps to ensure that its proxy voting decisions are made in the best interest of its clients and are not the product of such conflict.

### **Item 18. Financial Information**

R&B does not require or solicit the prepayment of more than \$1200 in fees six months or more in advance. In addition, R&B is required to disclose any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. R&B has no disclosures pursuant to this Item.

**Reed & Ball, Inc.**

*a Registered Investment Adviser*

1000 Newbury Road, Suite 205  
Thousand Oaks, CA 91320

(805) 376-2779

[www.reedball.com](http://www.reedball.com)

Prepared by:

