



# ROSS | JOHNSON & ASSOCIATES

3380 Annapolis Lane N B-100

Plymouth, MN 55447

(763) 560-2127

[tony@rossjohnsonweb.com](mailto:tony@rossjohnsonweb.com)

<https://www.rossjohnsonweb.com>

## **Firm Brochure** (Part 2A of Form ADV)

*This brochure provides information about the qualifications and business practices of RossJohnson & Associates, LLC. If you have any questions about the contents of this brochure, please contact us at (763) 560-2127 or by email at: [tony@rossjohnsonweb.com](mailto:tony@rossjohnsonweb.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.*

*Additional information about RossJohnson & Associates, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). RossJohnson & Associates, LLC's CRD number is: 297583.*

12/14/2018

## **Item 2: Material Changes**

### **Annual Update**

Ross\Johnson & Associates, LLC has not yet filed an annual updating amendment using the Form ADV Part 2A. Therefore, there are no material changes to report.

### **Full Brochure Available**

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at: (763) 560-2127.

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## ***Item 4: Advisory Business***

### **Description of the Advisory Firm**

Ross\Johnson & Associates, LLC (hereinafter "RJA") is a Limited Liability Company organized in the State of Minnesota. The firm was formed in June 1998, and the principal owners are Anthony Robert Johnson and Patrick Terrence Ross.

RJA provides personalized confidential financial planning and investment management to individuals, trusts, estates, and small businesses. Advice is provided through consultation with the client and may include: determination of financial objectives, identification of financial problems, cash flow management, tax planning, insurance review, investment management, education funding, retirement planning, and estate planning.

Investment advice is provided, with the client making the final decision on investment selection. RJA does not act as a custodian of client assets. The client always maintains asset control. Unless such authority is withheld by client, RJA will supervise and direct the investments of the account subject to such limitations as client may impose by notice in writing. RJA, as agent and attorney-in-fact with respect to the account, may direct custodian to buy, sell, exchange, convert, and otherwise trade in any stocks, bonds and other securities (Including money market, limited partnerships, mutual funds and list stock options and RSU's). RJA will supervise and direct the investments of the account held at custodian on a discretionary basis, unless client specifically requests otherwise.

An overview of each client's initial situation is provided to the client, often through the use of Present Plan Model. Periodic reviews are also communicated to provide reminders of the specific courses of action that need to be taken. Additional reviews may occur but are not necessarily communicated to the client unless immediate changes are recommended.

The initial introduction meeting, which may be by telephone, is free of charge and is considered an exploratory interview to determine the extent to which financial planning and investment management may be beneficial to the client

### **Principal Owners**

Anthony R Johnson is a 50% Owner.  
Patrick T Ross is a 50% Owner.

## **Types of Advisory Services**

### **Portfolio Management Services**

RJA offers ongoing asset management services based on the individual goals, objectives, time horizon, and risk tolerance of each client. Client establishes an investment advisory account(s) and appoints RJA as the advisor to supervise and develop an asset allocation strategy using an appointed custodian to implement said strategy in accordance with the clients stated objectives. RJA creates an Investment Policy Statement for each client, which outlines the client's current situation (income, tax levels, and risk tolerance levels) and then constructs a plan to aid in the selection of a portfolio that matches each client's specific situation. Portfolio management services include, but are not limited to, the following:

- Investment strategy
- Asset allocation
- Risk tolerance
- Personal investment policy
- Asset selection
- Regular portfolio monitoring

RJA evaluates the current investments of each client with respect to their risk tolerance levels and time horizon. Risk tolerance levels are documented in the Investment Policy Statement, which is given to each client.

RJA uses custodial services of SEI Trust, TD Ameritrade Institutional, Fidelity and Ameritas. SEI is a global provider of asset management, investment processing, and investment operations solutions for personal wealth management. SEI provides investment advisors with comprehensive wealth management services through outsourced investment management, back office, and administrative functions. TD Ameritrade Institutional, Fidelity and Ameritas are providers of brokerage and custody services to investment advisors and their clients. Given each client situation is unique, a determination of which custodian to appoint is determined after an evaluation of all relevant facts and circumstances.

On more than an occasional basis, RJA furnishes advice to clients on matters not involving securities, such as financial planning matters, taxation issues, and trust services that often include estate planning.

### ***Services Limited to Specific Types of Investments***

RJA generally limits its investment advice to mutual funds, fixed income securities, insurance products (Life, Disability and Single premium income annuities), equities, ETFs (including ETFs in the gold and precious metal sectors) and non-U.S. securities. RJA may use other securities as well to help diversify a portfolio when applicable.

## **Assets Under Management**

RJA has the following assets under management:

<b>Discretionary Amounts:</b>	<b>Non-discretionary Amounts:</b>	<b>Date Calculated:</b>
\$84,055,414.00	\$2,729,582.00	12/2018

## **Client Tailored Relationships**

RJA will tailor a program for each individual client. The goals and objectives are documented in our client relationship management system.

Clients may impose restrictions on investing in certain securities or types of securities.

Agreements may not be assigned without client consent.

## **Types of Agreements**

The following agreements define the typical client relationships.

## **Advisory Agreement**

### **Financial Planning Services**

RJA shall provide for client the services identified on the statement of work (see below), or in any statement of work subsequently entered into between the parties from time to time in accordance with the requirements set forth on such statement of work. RJA has made and will make no guarantees or assurances as to the outcome of any engagement or to the extent of time and effort that will be involved in connection therewith, and specifically disclaims any warranties client may be entitled to as a consumer. It is understood and agreed that during the course of the engagement, client may elect not to implement specific recommendations outlined and/or recommended by RJA. RJA may appoint or otherwise designate suitable agents and representatives to fulfill its requirements under this agreement and the supervision and compensation of such individuals shall at its sole and direct expense, responsibility and risk.

### **Statement of Work**

Freedom of life style requires clarity, focus and a unique perspective. At RJA we partner with our clients to maintain lasting financial independence for more



enjoyment today and confidence about tomorrow. Our approach allows clients to capture a wealth of opportunities through multi-faceted personal and business planning solutions.

### ***Introduction***

Maximize your personal and financial vision. During the first step of our process, we'll meet to discuss and how the financial industry interacts with individuals and the rules in which they play and give a new paradigm to constantly view your financial world.

### ***CFQ – Fact Finding***

The next phase is to collect current financial documentation to have a complete understanding of client(s) current financial position.

### ***PPM***

The information provided will be used to build the client (s) personal Protection, Savings and Growth Model (PS&G) verifying client(s) financial present position. The goal is to make sure that the client(s) financial position in each of the three areas is optimally positioned, coordinated, integrated and in line with the client(s) core values, habits and risk tolerance into a comprehensive strategy.

### ***Strategies***

In step 4, we actively engaged in the implementation of your personal and financial vision. Having identified opportunities or problems based on the model that was built with client(s) provided documentation, you will decided which actions you want to make in seeking to improve your financial position.

### ***Implementation***

By simultaneously increasing the efficient and effective use of client(s) money, implementing any desired actions items, and participating in periodic reviews and updates to ensure that plans are growing with you as your wants and objectives evolve, we seek to help create greater financial opportunity and peace of mind.

## **Investment Management Agreement**

### **Investment Management Services**

Client hereby establishes an investment advisory account(s) and appoints RJA as the advisor to supervise and develop an asset allocation strategy using an appointed custodian to implement said strategy in accordance with the client's stated objectives, time horizon, risk tolerance and financial goals. At a minimum client will receive a quarterly account statement from the custodian showing the account activity as well as the positions held in the account at quarter end. The client may also receive quarterly a written statement of investments of the account from the custodian showing portfolio values including performance results for the quarter.

### **Wrap Fee Program**

A wrap fee program is an investment program where the investor pays one stated fee that includes management fees, transaction costs, and certain other administrative fees. RJA does not participate in wrap fee programs.

## **Asset Management**

Assets are invested primarily with third party money management firms, no-load or low-load mutual funds and exchanged-traded funds, usually through custodians or fund companies. Custodians and fund companies charge each fund shareholder an investment management fee that is disclosed in the fund prospectus. Discount brokerages may charge a transaction fee for the purchase of some funds.

Stocks and bonds may be purchased or sold through a brokerage account when appropriate. The brokerage firm charges a fee for stock and bond trades. Ross\Johnson & Associates does not receive any compensation, in any form, from fund companies.

Investments may also include: equities (stocks), warrants, corporate debt securities, commercial paper, certificates of deposit, municipal securities, US government securities.

Initial public offerings (IPO's) are not available through Ross\Johnson and Associates.

### **Unified Managed Account Program**

We offer discretionary investment management services in a managed account program through an Overlay Manager (the "UMA Program"). This UMA program may consist of using model portfolio advisors, model portfolio's or other investment options such as mutual funds and/or exchange traded funds ("ETFs") to represent different investment strategies for managing your account. Each of these investment strategies is designed to meet a specific goal.

Prior to investing in the UMA Program, you will execute a discretionary investment management agreement with us setting forth the terms and conditions of our management services the client selects. The client will grant us limited discretionary authority to manage the client account through selection of an overlay manager ("Overlay Manager"), third party strategist ("Strategist") and/or third party managers ("Managers"; collectively, "Third Party Service Providers"). In addition, the client will authorize the custodian to follow our instructions as well as instructions given by Overlay Manager to effect transactions, deliver securities, deduct fees and take other actions with respect to the client account. The client will not have a direct contractual relationship with the Overlay Manager or any Third-Party Service Provider.

The timing of trades in the client's account will primarily depend upon the model or changes in the model, and, generally will not take into consideration how long a client may have held the position indicated by the model.

We will retain the right to replace any strategist or manager on a discretionary basis. Depending on the service a client has selected, we will separately provide the client with the firm brochure (Part 2 of Form ADV) for the applicable Third-Party Service Provider(s) which includes information about their services, model portfolios, and investment strategies at or before the execution of our discretionary investment management agreement.

### **Tax Overlay Management Services**

Tax overlay management services are available as an option for accounts utilizing the UMA Program through the Overlay Manager. If you elect tax overlay management services, the portion of your fee paid as the management fee on your account will increase. The Overlay Manager will develop a tax strategy for your account based on the information and instructions provided by us on your behalf. Tax overlay management services in an investment account offer benefits and limitations, as described below. The tax strategy developed for you by the Overlay Manager is provided solely in connection with your account and the Overlay Manager does not provide general tax planning services. If you do elect the tax overlay management services option, please consider the following:

- The Tax Overlay Manager will implement tax overlay management services based on the information and instructions provided for your account(s).
- The Tax Overlay Manager does not provide general tax advice, tax return preparation or tax planning services.  
The Tax Overlay Manager will seek to reduce the overall tax burden of the account while seeking to maintain the risk and return characteristics of the model portfolios received from Strategists and/or Managers.
- When providing tax overlay management services to the account,

short-term gains are avoided where possible, but long-term gains are not limited unless you have requested a mandate to limit realized long-term gains.

The Overlay Manager will provide tax overlay management services with the assumption that the Overlay Manager will continue to provide services to the account for an entire tax year. The termination or removal of the overlay management services before the completion of an entire tax year may result in adverse tax consequences, including without limitation realization of short term

capital gains. Regardless of your account size or any other factors, we strongly recommend that you continuously consult with a tax professional prior to and throughout the investing of your assets.

The Tax Overlay Management Services are offered at an additional cost to you.

#### **Termination of Agreement**

A client may terminate any of the aforementioned agreements at any time by notifying RJA in writing and paying the rate for the time spent on the investment advisory engagement prior to notification of termination. RJA may terminate any of the aforementioned agreements at any time by notifying the client in writing.

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

#### **Description**

##### **Investment Management Fees and Expenses**

Client shall pay RJA for its services, as set forth in the Investment Management Agreement, an annual portfolio management fee (see “Annual Fee Schedule” below) to be paid quarterly in arrears (on a calendar quarterly basis) as a percent of the portfolio’s market value. The portfolio’s market value will be based on the closing value as of the final business day of each quarter. Certain customary costs or charges are assessed to the client by the custodian. These costs are payable by the client and are not included, or a part of, the management fee.

Payment of fees will be made through a quarterly debit to client’s account. Client authorizes custodian to deduct for RJA any and all fees, when due, from the assets contained in the account.

Additional assets received into the account during any fee period may be charged a pro-rated management fee based on the number of days in the fee period. In the event the Investment Management Agreement is terminated by

either party prior to the end of the fee period, a pro-rata billing of the management fee will be made.

The management fee and/or fee schedule may be modified by RJA upon notice to client. Fees charged may be negotiated. Such fees may differ based upon a number of factors, including, but not limited to, the type of account, the size of the account, or the account holdings. All accounts owned by the client and managed by RJA will be aggregated to determine a discount, if any, will be applied to the management fee as outlined in the fee schedule below:

### ***Portfolio Management Fees***

<b>Total Assets Under Management</b>	<b>Annual Fees</b>
\$0 - \$500,000	1.00%
\$500,001 - \$3,000,000	0.75%
\$3,000,001 - and up	0.50%

RJA bases its fees on a percentage of assets under management, RJA Collects its fees in arrears. RJA does not collect fees in advance.

Investment Management Agreements may be priced based on the complexity of asset management, total assets under management, portfolio makeup and other variable are taken into account.

Fees are negotiable.

### **Fee Billing**

Investment management fees are billed quarterly, in arrears, meaning that we invoice you after the three-month billing period has ended. Payment in full is expected upon invoice presentation. Fees are usually deducted from a designated client account to facilitate billing. The client must consent in advance to direct debiting of their investment account.

- Each time a fee is directly deducted Client's account, RJA will concurrently:
- (i) Send the qualified custodian notice of the amount of the fee to be deducted from Client's account; and
- (ii) Send Client an invoice itemizing the fee, including the formula used to calculate the fee, the amount of assets under management the fee is based on, and the time period covered by the fee.

### **Other Fees**

Clients are responsible for the payment of all third party fees (*i.e.*, custodian fees, commissions, brokerage fees, mutual fund fees, transaction fees, etc.). Those fees are separate and distinct from the fees and expenses charged by Applewood. Please see Item 12 of this brochure regarding broker-dealer/custodian.

Custodians may charge transaction fees on purchases or sales of certain securities. These transaction charges are usually small and incidental to the purchase or sale of a security. The selection of the security is more important than the nominal fee that the custodian charges to buy or sell the security.

RJA, in its sole discretion, may charge a lesser investment advisory fee based upon certain criteria (e.g., historical relationship, type of assets, anticipated future earning capacity, anticipated future additional assets, dollar amounts of assets to be managed, related accounts, account composition, negotiations with clients, etc.).

### **Expense Ratios**

Mutual funds generally charge a management fee for their services as investment managers. The management fee is called an expense ratio. For example, an expense ratio of 0.50 means that the mutual fund company charges 0.5% for their services. These fees are in addition to the fees paid by you to RJA.

Performance figures quoted by mutual fund companies in various publications are after their fees have been deducted.

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

### **Sharing of Capital Gains**

RJA does not accept performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.

Ross\Johnson & Associates does not use a performance-based fee structure because of the potential conflict of interest. Performance based compensation may create an incentive for the adviser to recommend an investment that may carry a higher degree of risk to the client.

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

### **Description**

RJA generally provides investment advice to individuals, pension and profit sharing plans, trusts, estates, or charitable organizations, corporations or business entities.

Client relationships vary in scope and length of service.

### **Account Minimums**

There is no account minimum for any of RJA's services.

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

### **Methods of Analysis**

Security analysis methods may include charting, fundamental analysis, technical analysis, and cyclical analysis. The main sources of information include the World Wide Web, financial newspapers and magazines, inspections of corporate activities, research materials prepared by others, corporate rating services, timing services, annual reports, prospectuses, filings with the Securities and Exchange Commission, and company press releases.

RJA's methods of analysis include Modern Portfolio Theory.

### **Modern Portfolio Theory**

Is a theory of investment that attempts to maximize portfolio expected return for a given amount of portfolio risk, or equivalently minimize risk for a given level of expected return, each by carefully choosing the proportions of various assets.

## **Investment Strategies**

The primary investment strategy used on client accounts is strategic asset allocation focused on the goals and objectives of the client. Portfolios are globally diversified to control the risk associated with traditional markets. The investment strategy for a specific client is based upon the objectives stated by the client during consultations. The client may change these objectives at any time.

## **Risk of Loss**

All investment programs have certain risks that are borne by the investor. Our investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks:

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a securities' particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are



highly liquid, while real estate properties are not.

- Financial Risk: Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

## **Item 9: Disciplinary Information**

### **A. Criminal or Civil Actions**

We do not have anything to report for this item.

### **B. Administrative Proceedings**

We do not have anything to report for this item.

### **C. Self-regulatory Organization (SRO) Proceedings**

We do not have anything to report for this item.

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

### **Affiliations**

RJA has no arrangements that are material to its advisory or its clients with a related person who is a broker dealer, investment company, other investment advisor, financial planning firm, commodity pool operator, commodity trading adviser or futures commission merchant, banking or thrift institution, accounting firm, law firm, pension consultant, real estate broker or dealer, or an entity that creates or packages limited partnerships.

### **Registration Relationships Material to this Advisory Business and Possible Conflicts of Interests**

Anthony Robert Johnson is a licensed insurance agent and from time to time, will offer clients advice or products from those activities. Clients should be aware that these services pay a commission or other compensation and involve a possible conflict of interest, as commissionable products conflict with the fiduciary duties of a registered investment adviser. RJA always acts in the best

interest of the client; including the sale of commissionable products to advisory clients. Clients are in no way required to implement the services of any representative of RJA in their capacity as a licensed insurance agent.

Patrick Terrence Ross is a licensed insurance agent and from time to time, will offer clients advice or products from those activities. Clients should be aware that these services pay a commission and involve a possible conflict of interest, as commissionable products can conflict with the fiduciary duties of a registered investment adviser. RJA always acts in the best interest of the client; including in the sale of commissionable products to advisory clients. Clients are in no way required to implement the services through any representative of RJA in their capacity as a licensed insurance agent.

#### **Selection of Other Advisers or Managers and How This Adviser is Compensated for Those Selections**

RJA may direct clients to third-party investment advisers to manage all or a portion of the client's assets. Clients will pay RJA its standard fee in addition to the standard fee for the advisers to which it directs those clients. This relationship will be memorialized in each contract between RJA and each third-party advisor. The fees will not exceed any limit imposed by any regulatory agency. RJA will always act in the best interests of the client, when determining which third-party investment adviser to recommend. RJA will ensure that all recommended advisers are licensed, or notice filed in the states in which RJA is recommending them to clients.

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

#### **Code of Ethics**

The employees of RJA have committed to a written code of ethics that covers the following areas: Prohibited Purchases and Sales, Insider Trading, Personal Securities Transactions, Exempted Transactions, Prohibited Activities, Conflicts of Interest, Gifts and Entertainment, Confidentiality, Service on a Board of Directors, Compliance Procedures, Compliance with Laws and Regulations, Procedures and Reporting, Certification of Compliance, Reporting Violations, Compliance Officer Duties, Training and Education, Recordkeeping, Annual Review, and Sanctions. RJA's Code of Ethics is available free upon request to any client or prospective client.

### **Participation or Interest in Client Transaction**

From time to time, representatives of RJA may buy, sell, or hold securities for themselves that they also recommend to clients. Employees may not trade their own securities ahead of client trades. Employees comply with the provisions of the RJA Policies and Procedures Manual.

### **Personal Trading**

The Chief Compliance Officer of RJA is Anthony Johnson. He reviews all employee trades each quarter. His trades are reviewed by Patrick Ross. The personal trading reviews ensure that the personal trading of employees does not affect the markets, and that clients of the firm receive preferential treatment.

## **Item 12: Brokerage Practices**

### **Selecting Brokerage Firms**

RJA does not have any affiliation with product sales firms. Specific custodian recommendations are made to clients based on their need for such services. RJA recommends custodians based on the proven integrity and financial responsibility of the firm and the best execution of orders at reasonable commission rates. RJA currently custodies client accounts with SEI Private Trust Company, TD Ameritrade and Ameritas. RJA does not receive transaction fees or commissions from any of these arrangements.

### **Best Execution**

RJA reviews the execution of trades at each custodian and also the trading fees charged by each custodian. RJA does not receive any portion of the trading fees.

### **Soft Dollars**

RJA does not trade clients' accounts and therefore receives no research, product, or services from a broker-dealer ("soft dollar benefits").

### **Brokerage for Client referrals**

RJA receives no referrals from a broker-dealer or third party in exchange for using that broker-dealer or third party.

### **Order Aggregation**

Most trades are through third party money managers, mutual funds or exchange-traded funds where trade aggregation does not garner any client benefit.

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

### **Periodic Reviews**

Anthony R Johnson is the primary reviewer of client accounts. At his discretion, he may delegate review of a client's account to another qualified member of RJA as seen appropriate. Each account is reviewed as changes in a client's expressed goals, needs or financial condition change. Certain accounts or groups of accounts may be reviewed in the event of significant changes in the market or sociopolitical factors deemed to affect those accounts.

Reviews may be triggered by material market, economic or political events, or by changes in a client's financial situation (such as retirement, termination of employment, physical move, or inheritance).

Each client of RJA's advisory services provided on an ongoing basis will receive a quarterly report detailing the client's account, including assets held, asset value, and calculation of fees. This written report will come from the custodian.

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

### **Incoming Referrals**

RJA has been fortunate to receive many client referrals over the years. The referrals came from current clients, attorneys, accountants, employees, personal friends of employees and other similar sources. The firm does not compensate referring parties for these referrals.

### **Referrals Out**

RJA does not accept referral fees or any form of remuneration from other professionals when a prospect or client is referred to them.

## **Item 15: Custody**

### **Account Statements & Performance Reports**

The broker(s) and investment company(ies) carrying the client's account(s) send confirmations of each transaction directly to the client. Monthly statements may also be provided to the client. The monthly statements summarize all activity in the account. If an account has no activity in any specific month, a monthly statement may not be issued. In those instances statements will be issued quarterly. Clients participating in the SEI Asset Management programs will receive quarterly reports from SEI Private Trust Company indicating market value and performance as it relates to market indices and an annual tax report.

## **Item 16: Investment Discretion**

### **Discretionary Authority for Trading**

RJA accepts discretionary authority to manage securities accounts on behalf of clients, unless client specifically requests otherwise via signature. RJA has the authority to determine, without obtaining specific client consent, the securities to be bought or sold, and the amount of the securities to be bought or sold. However, RJA consults with the client prior to each trade to obtain concurrence if a blanket trading authorization has not been given. The client approves the custodian to be used and the commission rates paid to the custodian. RJA does not receive any portion of the transaction fees or commissions paid by the client to the custodian on certain trades. Discretionary trading authority facilitates placing trades in the client's accounts on the client's behalf so that we may promptly implement the client's expressed goals. Discretionary trading authority is given to RJA upon the client's signature on RJA management agreements. If client selects management services that utilize an Overlay Manager, client will grant the Overlay Manager complete and unlimited discretionary trading authority with respect to client's account upon client's signature on acting custodian's application. The Overlay Manager will be solely responsible for the day-to-day investment management decisions for the client's account, and RJA will not be responsible for making the investment trading decisions.

## **Item 17: Voting Client Securities (Proxy Voting)**

### **Proxy Votes**

RJA will not ask for, nor accept voting authority for client securities. Clients will receive proxies directly from the issuer of the security or the custodian. Clients should direct all proxy questions to the issuer of the security.

## **Item 18: Financial Information**

### **Financial Condition**

RJA does not have any financial impairment that will preclude the firm from meeting contractual commitments to clients.

### **Balance Sheet**

RJA neither requires nor solicits prepayment of more than \$500 in fees per client, six months or more in advance, and therefore is not required to include a balance sheet with this brochure.

## **Item 19: Requirements For State Registered Advisers**

### **Principal Executive Officers and Management Persons; Their Formal Education and Business Background**

The education and business background of Applewood's current management persons/executive officers, Anthony Robert Johnson and Patrick Terrence Ross, can be found on the individual's Form ADV Part 2B brochure supplement.

### **Other Businesses in Which This Advisory Firm or its Personnel are Engaged and Time Spent on Those (If Any)**

Other business activities for each relevant individual can be found on the individual's Form ADV Part 2B brochure supplement.

**How Performance-based Fees are Calculated and Degree of Risk to Clients**

Applewood does not accept performance-based fees or other fees based on a share of capital gains on or capital appreciation of the assets of a client.

**Material Disciplinary Disclosures for Management Persons of this Firm**

No management person at Applewood or Applewood has been found liable in an arbitration claim or been found liable in a civil, self-regulatory organization, or administrative proceeding that is material to the client's evaluation of the firm or its management.

**Material Relationships That Management Persons Have With Issuers of Securities (If Any)**

See Item 10.C and 11.B.

## **Business Continuity Plan**

### **General**

RJA has a Business Continuity Plan in place that provides detailed steps to mitigate and recover from the loss of office space, communications, services or key people.

### **Disasters**

The Business Continuity Plan covers natural disasters such as snow storms, tornados, and flooding. The Plan covers man-made disasters such as loss of electrical power, fire, bomb threat, nuclear emergency, chemical event, biological event, and Internet outage. Electronic files are backed up daily and archived offsite.

### **Alternate Offices**

Alternate offices are identified to support ongoing operations in the event the main office is unavailable. It is our intention to contact all clients within five days of a disaster that dictates moving our office to an alternate location.

### **Loss of Key Personnel**

RJA has a Business Continuation Agreement with another financial advisory firm to support RJA and their in house advisors in the event of Anthony Johnsons' or Patrick Ross' serious disability or death.

## **Information Security Program**

### **Information Security**

RJA maintains an information security program to reduce the risk that your personal and confidential information may be breached.

### **Privacy Notice**

RJA requires that you provide current and accurate financial and personal information. RJA will protect the information you have provided in a manner that is safe, secure and professional. RJA and its employees are committed to protecting your privacy and to safeguarding that information.



### **Safeguarding Customer Documents**

We collect non-public customer data in checklists, forms, in written notations, and in documentation provided to us by our customers for evaluation, registration, licensing or related consulting services. We also create internal lists of such data.

During regular business hours access to customer records is monitored so that only those with approval may access the files. During hours in which the company is not in operation, the customer records will be locked.

No individual who is not so authorized shall obtain or seek to obtain personal and financial customer information. No individual with authorization to access personal and financial customer information shall share that information in any manner without the specific consent of a firm principal. Failure to observe RJA's procedures regarding customer and consumer privacy will result in discipline and may lead to termination.

### **Sharing Nonpublic Personal and Financial Information**

RJA is committed to the protection and privacy of its customers' and consumers' personal and financial information. RJA will not share such information with any affiliated or nonaffiliated third party except:

- When necessary to complete a transaction in a customer account, such as with the clearing firm or account custodians.
- When required to maintain or service a customer account.
- To resolve customer disputes or inquiries.
- With persons acting in a fiduciary or representative capacity on behalf of the customer.
- With rating agencies, persons assessing compliance with industry standards, or to the attorneys, accountants and auditors of the firm.
- To protect against or prevent actual or potential fraud, identity theft, unauthorized transactions, claims or other liability.
- To comply with federal, state or local laws, rules and other applicable legal requirements.
- In connection with a written agreement to provide investment management or advisory services when the information is released for the sole purpose of providing the products or services covered by the agreement.
- In any circumstances with the customer's instruction or consent.

### **Opt-Out Provisions**

It is not a policy of RJA to share nonpublic personal and financial information with affiliated or unaffiliated third parties except under the circumstances noted on the previous page. Since sharing under the circumstances previously noted is necessary to service client accounts or is mandated by law, there are no allowances made for clients to opt out.

### **Bankruptcy Petitions in Previous Ten Years**

RJA has not been the subject of a bankruptcy petition in the last ten years.