

# **Longer Investments Inc.**

**P. O. Box 1269**

**Fayetteville, AR 72702**

**Phone: (479) 443-5851**

**Toll-Free: (800) 827-7710**

**Fax: (479) 443-7129**

**[www.longerinv.com](http://www.longerinv.com)**

This brochure provides information about the qualifications and business practices of Longer Investments Inc. If you have any questions about the contents of this brochure, please contact us at (479) 443-5851 or (800) 827-7710 or by email at [kcooper@longerfinancial.com](mailto:kcooper@longerfinancial.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC), or by any state securities authority.

Longer Investments Inc. is a registered investment advisor. Registration of an investment advisor does not imply any level of skill or training.

Additional information about Longer Investments Inc. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**March 29, 2019**

## Material Changes

---

### **Annual Update**

Longer Investments Inc. is providing this information as part of its annual updating amendment. The last annual update occurred on March 29, 2018.

### **Material Changes since the Last Update**

This Brochure, dated March 29, 2019, includes material changes from the previous brochure, which was dated March 29, 2018. This filing updates regulatory assets under management (Item 2 – Advisory Business). On January 1, 2019, Longer Investments Inc. entered into an asset sale agreement with Prime Capital Investment Advisors, LLC. From January 1, 2019, through March 31, 2019, Longer Investments Inc. and Elaine Longer continued to provide investment advisory services to clients. During this period, Longer Investments obtained the written consent of clients to assign their contracts to Longer Financial, an affiliate of Prime Capital Investment Advisors, LLC. Beginning April 1, 2019, all accounts will be transitioned to Longer Financial, an affiliate of Prime Capital Investment Advisors, LLC, with Elaine Longer serving as an investment advisor representative. Upon the completion of the transition of all clients to Longer Financial, an affiliate of Prime Capital Investments Advisors, LLC, an ADV-W will be filed by Longer Investments Inc. as soon as administratively feasible. No clients are being solicited through Longer Investments Inc.

### **Full Brochure Availability**

The Firm Brochure for Longer Investments Inc. is available by contacting Kim Cooper at (479) 443-5851 or (800) 827-7710 or by email at [kcooper@longerfinancial.com](mailto:kcooper@longerfinancial.com).

Item 3

## Table of Contents

---

Item 1 - Cover Page .....	1
Item 2 - Material Changes.....	2
Annual Update .....	2
Material Changes since the Last Update .....	2
Full Brochure Availability .....	2
Item 3 - Table of Contents .....	3
Item 4 - Advisory Business.....	6
Firm Description .....	6
Principal Owners.....	6
Types of Advisory Services .....	6
Tailored Relationships .....	6
Wrap Fee Programs.....	6
Client Assets .....	6
Item 5 - Fees and Compensation.....	6
Description.....	6
Fee Billing .....	6
Other Fees.....	6
Fees Paid in Advance.....	7
Additional Compensation .....	7
Item 6 - Performance-Based Fees and Side-by-Side Management .....	7
Sharing of Capital Gains or Capital Appreciation.....	7
Item 7 - Types of Clients .....	7
Description.....	7
Account Minimums .....	7
Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss .....	7
Methods of Analysis .....	7
Investment Strategies .....	8
Risk of Loss .....	8

Item 9 - Disciplinary Information .....	8
Legal and Disciplinary .....	8
Criminal or Civil Action .....	8
Administrative Proceeding.....	8
Self-Regulatory Proceeding .....	8
Item 10 - Other Financial Industry Activities and Affiliations .....	8
Broker Dealer or Registered Representative .....	8
Futures Commission Merchant, Commodity Pool Operator, Commodity Trading Advisor, or Associated Person.....	8
Material Relationships or Arrangements with Financial Industry.....	8
Recommend or Select Other Investment Advisors.....	9
Item 11 - Code of Ethics, Participation or Interest in Client Transactions, and Personal Trading .....	9
Code of Ethics.....	9
Recommend Securities with Material Financial Interest.....	9
Invest in Same Securities Recommended to Clients .....	9
Personal Trading Policies.....	10
Item 12 - Brokerage Practices.....	11
Selecting Brokerage Firms.....	11
Research and Soft Dollars.....	11
Brokerage for Client Referrals .....	12
Directed Brokerage .....	12
Order Aggregation .....	12
Item 13 - Review of Accounts .....	13
Periodic Reviews .....	13
Review Triggers.....	13
Regular Reports .....	13
Item 14 - Client Referrals and Other Compensation .....	13
Economic Benefits .....	13
Third-Party Solicitors.....	13
Item 15 - Custody .....	13
Account Statements .....	13

Item 16 - Investment Discretion.....	14
Discretionary Authority for Trading .....	14
Limited Power of Attorney .....	14
Item 17 - Voting Client Securities .....	14
Proxy Voting.....	14
Item 18 - Financial Information .....	14
Prepayment of Fees .....	14
Financial Condition.....	14
Bankruptcy .....	14

## Advisory Business

---

### Firm Description

Longer Investments Inc. (LII) is an investment advisor registered with the U.S. Securities and Exchange Commission since 1985, and it has been in business for 34 years. LII is organized as an Arkansas corporation with offices located at 9 N. West Avenue in Fayetteville, Arkansas. LII is also registered with the state securities commissions in Arkansas, Indiana, Oklahoma, and Texas.

### Principal Owners

The principal owner of LII is the Elaine M. Longer Trust.

### Types of Advisory Services

LII provides investment planning and management services to a wide variety of clients throughout the United States. Among them are individuals, family trusts, corporations, charitable trusts, and not-for-profit foundations.

### Tailored Relationships

LII recognizes that each client has unique investment objectives, tax considerations, income and liquidity needs, and investment preferences. With that in mind, LII begins the investment process with each client by jointly developing a tailored investment plan that addresses those issues. Every portfolio LII manages is individually invested and administered according to the client's specific plan. Clients may impose restrictions on investing in certain securities or types of securities.

### Wrap Fee Programs

LII does not offer wrap fee programs.

### Client Assets

As of December 31, 2018, LII managed \$120.2 million in client assets. Assets managed on a discretionary basis totaled \$120.2 million. There were no accounts managed on a non-discretionary basis.

## Fees and Compensation

---

### Description

Portfolio management fees are based on a graduated fee schedule as a percentage of assets under management. Fees on the first \$5,000,000 under management range from 0.50% to 1.25%. Fees on the portion of the account that exceeds \$5,000,000 range from 0.50% to 0.75%. Fees are calculated on an annual basis and assessed quarterly. For passively managed fixed-income accounts and/or balanced equity/fixed-income accounts, the fee may be reduced, depending upon size, activity of the account, length of account relationship, and servicing requirements. For clients with multiple account relationships, fees are negotiable based on size of the account, activity, and asset allocation. An account origination fee of 0.25% of funds under management may be charged to cover the additional time and expense encountered in the account set-up, not related to the management of funds once the account is established.

### Fee Billing

The specific manner in which fees are charged by LII is established in a client's written investment advisory agreement with LII. Fees are billed in arrears on a quarterly basis. Clients may elect to be billed directly for fees or to authorize LII to directly debit fees from client accounts. Accounts initiated or terminated during a calendar quarter will be charged a prorated fee.

### Other Fees

LII's fees are exclusive of brokerage commissions, transactions fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, 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. Mutual funds and exchange-traded funds also charge internal management fees, which are disclosed in a funds prospectus. Such charges, fees, and commissions are exclusive of and in addition to LII's fee. Item 12 – Brokerage Practices further describes the factors that LII considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their

compensation (e.g. commissions).

Hourly fees are charged for analysis not related to a managed account. Fees are charged at the rate of \$500.00 per hour.

## **Fees Paid in Advance**

In no event are fees paid in advance. Fees are billed quarterly based on market value of assets under management for managed accounts. Hourly fees are billed monthly. Contracts state that the contract can be cancelled by either party with thirty-day notice without penalty. All new contracts are subject to a five-day cancellation policy whereby account origination fees would be refunded.

## **Additional Compensation**

Neither LII nor its supervised persons accept compensation for the sale of securities or other investment products.

Item 6

## **Performance-Based Fees & Side-by-Side Management**

---

### **Sharing of Capital Gains or Capital Appreciation**

LII does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

Item 7

## **Types of Clients**

---

### **Description**

LII provides portfolio management services to individuals, high net worth individuals, charitable organizations, individual retirement accounts, limited partnerships, and corporations.

### **Account Minimums**

The minimum dollar value of assets required to start an account is \$1,000,000. However, smaller accounts are sometimes accepted after consideration is given to a number of factors, including but not limited to client investment objectives, diversification, asset allocation needs, and relationship to existing clients.

Item 8

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

---

### **Methods of Analysis**

LII researches potential equity investments using its proprietary analytical models. Its equity research is designed to identify both small and large capitalization companies that consistently deliver above-average returns to shareholders, that favor a conservative capital structure, and that generate cash flow internally to fund growth. Once attractive growth stocks have been selected, LII subjects them to several in-house valuation models to determine fair valuation, given their intrinsic characteristics. By carefully assessing each company's historical trading patterns and valuations, relative both to the market and to the industry, LII determines which stocks represent attractive investment opportunities.

LII uses an analytical model to provide information on certain equity investments selected by LII as potential equity investments for clients. The information gathered through this analytical approach is used as part of the firm's overall analysis in determining which equity investments should be selected for a given portfolio. Limitations exist with any research method. No analytical model should be an investor's sole source of information. LII feels this proprietary research method sets a solid framework from which it can work.

From time to time, LII uses carefully chosen exchange-traded funds or no-load mutual funds to diversify client portfolios into areas that require specialized knowledge. For example, such funds can be a way to participate in foreign markets, real estate investment trusts (REITs), utilities, precious metals, and other areas for diversification purposes and to hedge market risk.

## Investment Strategies

Every client has distinct investment objectives, so each portfolio is customized based on a comprehensive review of the client's financial circumstances, financial and investment goals, risk tolerance, tax considerations, and liquidity needs. LII will propose the investments that are suitable for the client based on his or her financial objectives, net worth, and general circumstances and will identify the most productive and prudent way to allocate funds among various asset classes.

The investment strategies used to implement any investment advice given to clients may include long-term purchases (securities held at least a year), short-term purchases (securities sold within a year), trading (securities sold within 30 days), margin transactions, and option transactions (for hedging purposes).

## Risk of Loss

Securities markets are subject to volatility. Investing in securities involves risk of loss that clients should be prepared to bear. LII makes no promise or guarantee of future returns. At any point in time, an investment may be worth more or less than the original purchase price.

Market conditions may require frequent trading of securities which can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.

The risks of writing covered options for hedging purposes may include the assignment of the option any time during the period the option is exercisable. The writer forgoes the opportunity to benefit from an increase in value of the underlying security above the option price while bearing the risk of a decline in the value of the underlying security.

Item 9

## Disciplinary Information

---

Registered investment advisors are required to disclose all material facts regarding any legal or disciplinary events that would be material to the evaluation of LII or the integrity of LII's management. LII has no information applicable to this item.

## Legal and Disciplinary

None

## Criminal or Civil Action

None

## Administrative Proceeding

None

## Self-Regulatory Proceeding

None

Item 10

## Other Financial Industry Activities and Affiliations

---

## Broker-dealer or Registered Representative

None

## Futures Commission Merchant, Commodity Pool Operator, Commodity Trading Adviser or Associated Person

None

## Material Relationships or Arrangements with Financial Industry

None



## **Recommend or Select Other Investment Advisers**

LII does not recommend or select other investment advisers for client accounts.

Item 11

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

---

### **Code of Ethics**

#### **Longer Investments Inc.**

##### **Employee Personal Trading Code of Ethics/Summary**

The Code of Ethics (the “Code”) for Longer Investments (the “Firm”) is designed to address the requirements of the Investment Advisors Act rule 204A-1. The purpose of the Code is to (i) remind employees that the Firm’s responsibility to clients is to provide effective and professional investment management advice based upon independent judgment; (ii) set standards for employee conduct in those situations where conflicts of interest are most likely to arise; (iii) assure that employees understand their responsibilities under the federal securities laws; (iv) protect the Firm from reputational damage; and (v) develop procedures that allow the Firm to monitor employee activity for compliance with the Firm’s Code of Ethics. It identifies the employees and the securities that are covered by the Code. The following fundamental fiduciary principles govern the activities of Firm personnel:

1. The interests of the client must come first.
2. Employees must not take inappropriate advantage of their positions.
3. Employees shall never engage in a transaction that could be considered “front running” the transactions of clients.
4. Information concerning the Firm’s investments must be kept confidential.
5. Employees must always provide professional investment management advice based upon unbiased independent judgment.

All employees must strictly comply with the Firm’s policies regarding personal securities transactions. They are prohibited from acquiring ownership in initial public offerings and must obtain pre-clearance before acquiring ownership in a private placement. Employees must obtain approval before opening a brokerage account and grant approval for duplicate confirmations and statements to be mailed to the Firm. The statements are reviewed on a monthly basis. Employees also complete quarterly reports of all transactions. Transactions for employees that are not included in aggregated block trades are subject to daily review. The Code is intended to minimize conflicts of interest and assure that personal securities transactions are made in compliance with applicable securities laws. If a conflict of interest where to occur, it would be resolved in favor of clients. Employees are aware of the confidential nature of all information, and shall not disclose this information to others outside the Firm. They may not engage in insider trading. Employees may not accept or give gifts of an excessive nature without prior approval. A copy of the entire Code of Ethics is available to any client or prospective client upon request.

### **Recommend Securities with Material Financial Interest**

LII does not recommend securities in which it has a material financial interest to clients except as noted below (Invest in Same Securities Recommended to Clients).

### **Invest in Same Securities Recommended to Clients**

LII, its employees, and/or officers and directors, may from time to time have a long or short position in the securities recommended for clients and may buy or sell such securities separate from such transactions for clients and/or along with transactions for clients. The investment and/or trading accounts of Longer Investments Inc., its employees, and/or officers, and immediate family members may purchase and/or sell securities recommended or not recommended to clients. The price at which securities are bought or sold, the holding period, investment objectives, and trading practices of proprietary accounts of the corporation, its officers and employees, and related persons may be different from the price at which securities are bought or sold, the holding period, investment objectives, and trading practices of client accounts. Because of these different holding

periods, investment objectives, and trading practices, there is a potential for conflict of interest. In employee trading accounts, positions may be taken that are short the market, or short individual securities that would be counter to the long-term investment positions in client accounts. The positions held and traded in trading accounts are not invested in accordance with similar long-term considerations that govern the investment of clients' assets. All employees, directors, and officers of LII are required to adhere to the Longer Investments Inc. Employee Personal Trading Code of Ethics that requires that the client always receives the best execution in compliance with the Longer Investments Inc. Trade Allocation Policy (see Personal Trading Policies below) when proprietary accounts are involved in block trades with client accounts.

If transactions are placed for employees, directors, officers and/or immediate family members, outside of the firm's block trading procedures (Trade Allocation Policy) and on the same day and in the same security as client accounts, every effort will be made to ensure that client transactions receive favorable treatment and that the best interest of clients is placed first and foremost. For employees whose responsibilities directly relate to the analysis of securities or the decisions to buy or sell securities for client accounts, either the Compliance Officer or President (or other individual specifically designated by the President) will review any transaction by such advisory employees on a daily basis. Personal trading for employees, directors and officers will be conducted in a manner to avoid potential conflicts of interest; however, due to normal market fluctuation, there can be no guarantee that client transactions will always receive more favorable pricing than transactions placed for employees, officers and directors when placed separate from the firm's block trading.

All transactions by the employees, officers, directors and/or immediate family members of Longer Investments Inc., and their family members are reported on a quarterly basis as required by Rule 204-2 of the Investment Advisors Act of 1940. Longer Investments Inc. receives copies of confirmations for all employees' personal transactions and reviews brokerage statements on a monthly basis to ensure adherence to the policies.

In addition, all employees of Longer Investments Inc. are required to abide by the CFA Institute standards regarding material, non-public information, insider trading, and conflicts of interest.

## **Personal Trading Policies**

### **Longer Investments Inc. Trade Allocation Policy**

Transactions for aggregate client orders may be placed through brokerage firms under two different circumstances. In either circumstance, every effort will be made to ensure all participating accounts are treated fairly and that no client is intentionally favored over another. Under the first circumstance, specific accounts have been identified as those for which a purchase or sale of a specific number of shares of a stock should be made. The order will be placed for the exact number of shares deemed necessary. If the order is not filled in its entirety, the shares will be allocated primarily on a pro-rata basis. However, the investment manager will seek to minimize transaction fees by allocating round lots and avoiding duplication of minimum commissions.

Under the second circumstance, an order will be placed for a number of shares based on a buy allocation or based on market conditions such as number of shares bid or offered. This number will be an approximation of the actual numbers of shares that should be bought or sold. Longer Investments Inc. will not aggregate transactions unless it believes such aggregation is consistent with its duty to seek best execution for its clients and is consistent with the terms of the Investment Advisory Agreement with each client for which trades are being aggregated. Upon execution (whether in full or in part), the shares will be allocated based on the following:

1. Broker through which each account can be traded (i.e., brokerage account, custody account, prime broker account).
2. Number of shares required for each account.
3. Cash available (purchases) and tax consequences (selling).
4. Investment style and investment policy considerations of individual accounts.
5. Upon checking items 1-4 above, shares will be allocated among eligible accounts on a pro-rata basis. Again, the investment manager will seek to minimize transaction fees and will use discretion with regard to settlement of the trade.
6. The client's total cost (purchases) or proceeds (sales) in each transaction is the most favorable under the circumstances. No one client receives a different price going through a specific broker than another client. All fills on the same trade

date are averaged in price by broker and allocated on an average-price fill accordingly, subject to Financial Industry Regulatory Authority (FINRA) requirements.

7. All trades are allocated and disclosed to the executing broker on trade day following the fill of the order.
8. An order may be re-allocated on a basis different from that identified in the initial allocation and/or that specified in this policy, provided that all client accounts receive fair treatment and the reason for the different allocation is explained, documented and approved in writing by the compliance officer no later than one hour after the markets open on the trading day immediately after the trading day the order was executed.
9. Any initial public offering that cannot be fairly allocated according to this policy will be avoided.
10. When a buy allocation is executed as a block trade, any purchases for the Longer Investments Inc. corporate account and the personal trading accounts of Longer Investments Inc. directors, officers, and employees will be allocated at the average price for the trade with the executing broker. The trade allocations for such accounts may or may not match the allocation strategy used for client accounts, given different objectives, risk tolerance and holding periods in corporate and personal trading accounts.
11. Other factors included in the allocation process are:
  - a. Account-specific trading restrictions;
  - b. Whether such allocation would result in an undesirable portion size (too small or too large);
  - c. Whether such allocation would overweight or underweight a specific stock or sector for a particular portfolio.

Item 12

## Brokerage Practices

---

### Selecting Brokerage Firms

Brokers will be selected on the basis of competence of execution, back office expertise, competitive commission rates, and quality of research services applicable to effective management of accounts. Commissions per share range from five cents to seven cents per share, depending upon the size of the account and the size of the transaction and are subject to minimum ticket charges ranging from \$4.95 to \$15.00 per transaction.

For clients whose assets are placed with Charles Schwab & Co., Inc., tiered equity trade commissions may be available for accounts that exceed a current minimum amount. Clients whose household assets under management with Longer Investments Inc. (custodied at Charles Schwab & Co., Inc.) are \$1 million or more may be eligible for a flat \$4.95 electronic equity trade commission. Should the household assets under management fall below \$1 million, a fee increase to the standard electronic equity pricing may apply. Clients who do not meet the criteria for the \$4.95 flat price will be charged the standard electronic equity pricing applied by Charles Schwab and Co., Inc. LII, its employees, officers and directors, and/or their immediate family members may also be eligible for this reduced electronic equity pricing if their accounts meet applicable asset minimums.

### Research and Soft Dollars

The client may pay brokerage commissions to some brokerage firms that exceed the commissions charged by other brokers in exchange for research, database, software allocated for research purposes, computer services and hardware, custodial services, publications, educational conferences, and on-line services provided by the broker which enhance the research effort and execution services for LII's clients. By using brokerage commissions to obtain research and other products and services, LII receives a benefit because it does not have to produce or pay for the research, products, and services. LII may have an incentive to select or recommend a broker based on its interest in receiving the research or other products and services. All such services provided by the broker are subject to the Longer Investments Inc. Soft Dollar Policy.

Custodians utilized by LII also provide investment advisors with timely and accurate information through their Web sites that allow the firm to spend less time on operational issues and focus instead on issues that are most important to clients. Access to the Web sites is provided to LII at no cost to clients or the firm.

Research services furnished by brokers through which Longer Investments Inc. effects securities transactions may be used in servicing all clients' accounts, including those which have not paid commissions to the broker providing these services.

### **Longer Investments Inc.**

#### **Soft Dollar Policy/Summary**

A soft-dollar arrangement occurs when an Advisor with discretionary authority uses brokerage commissions generated by client accounts to purchase research and/or brokerage services. Section 28(e) of the Securities Exchange Act of 1934 addresses the use of soft dollars and provides the Advisor with a safe harbor. The Firm maintains a policy that all soft-dollar arrangements will comply with Section 28(e). In order to rely on the safe harbor, the following conditions must be met:

1. The goods and services must be provided by the broker effecting the transactions.
2. The Advisor must have discretion over the management of client accounts.
3. The transaction must be an agency transaction, and no implied commissions may be used.
4. The recipient of the goods and services must make a good faith determination that the commissions paid are reasonable in relation to the value of the brokerage and research services provided.
5. The goods and services received must be for "brokerage and research services" as described in Section 28(e) and interpreted by the SEC.

The policy defines investment research and brokerages services, lists products and services that may be purchased with soft dollars and identifies those that are outside of Section 28(e). The CCO is responsible for review, approval and monitoring of soft dollar arrangements according to the procedures identified in the policy.

### **Brokerage for Client Referrals**

LII does not receive referrals from broker-dealers and has no incentive to recommend broker-dealers to clients based on an interest in receiving such referrals.

### **Directed Brokerage**

If the client suggests that a certain broker-dealer be used, that is the prerogative of the client and their wishes are complied with to the extent that it can be accommodated without disrupting daily activities. Under these circumstances, LII does not negotiate commissions and the client may pay higher commission rates by making this choice. In addition, trades for such clients are not usually included in block trades placed by LII, which may give participating clients a better price as well as lower commissions.

### **Order Aggregation**

Longer Investments Inc. places orders to purchase and sell securities in client accounts in aggregated block trades that, once executed and filled, are allocated to the individual accounts before the close of trading on the day the trade is conducted. Longer Investments Inc., its employees and/or officers, and directors may be participants in aggregated block trades conducted by the firm for clients.

Allocation of purchases is, for the most part, performed with the use of an allocation model in accordance with Longer Investments Inc. Trade Allocation Policy (see Item 11 – Code of Ethics); however, differences may appear due to account preferences, varying investment objectives, liquidity at the time of purchase, risk tolerance, tax consequences, and trading profile of the accounts under management.

## Review of Accounts

---

### Periodic Reviews

LII will review all accounts at least monthly and more frequently as market conditions dictate. All accounts are market-valued on a systematic monthly basis. This process includes reviews of current account holdings, year-to-date realized gains, asset allocation, and adherence to the investment policy. The reviews are completed systematically and at the direction of the senior portfolio manager. Other staff members involved in the review process include the client services manager, executive administrator, and staff accountant. Staff members are not assigned specific portfolios. The review of all client accounts is shared by the portfolio management staff.

### Review Triggers

There are no specific factors that trigger a review of a client account.

### Regular Reports

Updated written portfolio reports that include current market value and historical cost on security positions as well as weightings of various asset classes as a percent of portfolio will be mailed to all clients when the quarterly statements are sent, or more frequently as requested by the client. Quarterly reports to clients also include reports of realized gains and losses, income and expenses, and contributions and withdrawals, if applicable.

## Client Referrals and Other Compensation

---

### Economic Benefits

LII receives an economic benefit from the custodians and brokers utilized for client accounts in the form of support products and services they make available to LII and to other independent investment advisors whose clients maintain their accounts with them. These products and services, how they benefit LII, and the related conflicts of interest are described in Item 12 – Brokerage Practices. The availability to LII of these products and services is not based on LII giving particular investment advice, such as buying particular securities for clients.

### Third Party Solicitors

LII does not directly or indirectly compensate any person who is not an LII supervised person for client referrals.

## Custody

---

### Account Statements

Under government regulations, LII is deemed to have custody of client assets because some clients have authorized the custodian to debit advisory fees directly from the client account.

In a 2017 no-action letter, the Securities & Exchange Commission (SEC) deemed registered investment advisors (RIA) have custody of client assets in situations where the client has authorized the RIA to initiate the movement of client funds to a third party by the qualified custodian, consistent with the client's previous and standing authorization to that custodian. The SEC does not require an annual surprise examination by an independent public accountant to verify these assets if the RIA and the custodian execute certain procedures, documentations, and disclosures.

As a client service, LII routinely works with its clients and their custodians to facilitate such money movements consistent with its client's standing letters of authorization with their custodian – putting LII in custody of those assets. LII and its clients' custodians execute the appropriate procedures, documentations, and disclosures so as not to make LII subject to surprise examinations.

Otherwise, LII does not act as custodian for or take custody of any client assets.

The custodian maintains actual custody of client assets. Clients receive account statements directly from the custodian monthly. The statements will be sent to the email or postal mailing address provided to the custodian. LII urges clients to carefully review such statements and compare such official custodial records to the account statements that LII provides. LII statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Item 16

## Investment Discretion

---

### Discretionary Authority for Trading

LII usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought and sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account.

When selecting securities and determining amount, LII observes the investment policies, limitations, and restrictions of the clients for which it advises. Investment guidelines and restrictions must be provided to LII in writing.

### Limited Power of Attorney

Before discretionary trading authority is assumed by LII, the client must complete the appropriate documentation required by the custodian, along with an investment advisory agreement for LII.

Item 17

## Voting Client Securities

---

### Proxy Voting

**Longer Investments Inc.**

#### Proxy Voting Policy

As stated in the Investment Advisory Agreement, Longer Investments Inc. will not vote proxies on behalf of its clients. The client may elect to receive the proxies and vote them at his or her discretion or to have the proxies sent to Longer Investments. Proxies sent to Longer Investments Inc. will not be voted.

Item 18

## Financial Information

---

### Prepayment of Fees

LII does not require the prepayment of fees.

### Financial Condition

Registered investment advisors are required in this item to provide clients and prospective clients with certain financial information or disclosures about LII's financial condition. LII has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients.

### Bankruptcy

LII has not been the subject of a bankruptcy proceeding in its 34-year history.