

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

Godsey & Gibb Wealth Management

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3/30/2019

This brochure provides information about the qualifications and business practices of Godsey & Gibb Wealth Management. If you have any questions about the contents of this brochure, please contact us at (804) 285-7333 or [cellis@godseyandgibb.com](mailto:cellis@godseyandgibb.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

Additional information about Godsey & Gibb Wealth Management also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 105650.

## **Item 2    Material Changes**

This Firm Brochure, dated 3/30/2019 , provides you with a summary of Godsey & Gibb Wealth Management's advisory services and fees, professionals, certain business practices and policies, as well as actual or potential conflicts of interest, among other things. This Item is used to provide our clients with a summary of new and/or updated information; we will inform you of any revisions based on the nature of the information as follows.

1. Annual Update: We are required to update certain information at least annually, within 90 days of our firm's fiscal year end (FYE) of December 31. We will provide you with either a summary of the revised information with an offer to deliver the full revised Brochure within 120 days of our FYE or we will provide you with our revised Brochure that will include a summary of those changes in this Item.
2. Material Changes: Should a material change in our operations occur, depending on its nature we will promptly communicate this change to clients and it will be summarized in this Item. "Material changes" requiring prompt notification will include changes of ownership or control; location; disciplinary proceedings; significant changes to our advisory services or advisory affiliates - any information that is critical to a client's full understanding of who we are, how to find us, and how we do business.

The following summarizes new or revised disclosures based on information previously provided in our Firm Brochure dated 12/31/2017:

### **Material Changes**

Closed the Virginia Beach, Virginia office effective January, 2018.

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## **Item 4    Advisory Business**

Godsey & Gibb, Inc. is a SEC registered investment adviser with its principal place of business located in Virginia. Godsey & Gibb, Inc. began conducting business in 1985.

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

- The Gibb Family Stock Trust 80 %

Godsey & Gibb Wealth Management offers the following advisory services to our clients:

### **INVESTMENT SUPERVISORY SERVICES ("ISS") INDIVIDUAL PORTFOLIO MANAGEMENT**

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

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

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

Our investment recommendations are not limited to any specific product or service and will generally include advice regarding the following securities:

- Exchange listed securities
- Securities traded over-the-counter
- Foreign issuers ADR
- Corporate debt securities
- Commercial paper
- Certificates of deposit
- Municipal securities
- Mutual fund shares
- United States government and Agency securities
- Options contracts on securities

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

### **FINANCIAL PLANNING**

Godsey & Gibb may provide financial planning advice to clients, in order to prepare them for current and future needs. This includes retirement and educational expense planning, as well as review of the strategies the client has in place to preserve their wealth. The fee for this service is \$1,500.00. Godsey & Gibb reserves the right to negotiate this fee on a client-by-client basis. The financial planning service does not include the sale of products.

### **ACCOUNTING SERVICES**

Godsey & Gibb Wealth Management offers and may provide tax preparation services to clients of Godsey & Gibb Wealth Management. Clients are under no obligation to engage Godsey & Gibb for these services. Godsey & Gibb reserves the right to negotiate the fee on a client-by-client basis.

### **EDUCATIONAL SEMINARS**

Our firm may conduct speaking engagements and educational seminars. We generally provide these types of seminars to groups of our existing clients, as well as other business or non-profit entities. The topics include issues related to asset/wealth management services, such as financial planning, investment planning, retirement planning, and/or various other economic and investment topics. The information covered in a seminar is not based on the individual needs of the attendees. Our firm does not provide investment advice to attendees unless engaged independently, and only where the attendee's individualized financial information, investment goals, and objectives are provided.

### **AMOUNT OF MANAGED ASSETS**

As of 12/31/2018, we are actively managing \$819,802,662 of client assets on a discretionary basis plus \$1,959,151 of client assets on a non-discretionary basis.

## **Item 5 Fees and Compensation**

### **INVESTMENT SUPERVISORY SERVICES ("ISS") INDIVIDUAL PORTFOLIO MANAGEMENT FEES**

Our annual fees for Investment Supervisory Services are based upon a percentage of assets under management and are as follows:

First \$1,000,000 @ 1.00%

Next \$1,000,000 @ 0.75%

All Over \$2,000,000 @ 0.50%

There is a minimum annual fee of \$5,000.

A minimum of \$500,000 of assets under management is required for this service. This account size and minimum annual fee may be negotiable under certain circumstances. Godsey & Gibb Wealth Management may group certain related client accounts for the purposes of achieving the minimum account size and determining the annual fee.

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

Fees will be charged quarterly at the end of each quarter in which services are rendered, or in advance, as negotiated with each client. The client has the option of either having the advisory fees billed directly to the client or for the fees to be deducted from the client's account.

### **GENERAL INFORMATION**

**Grandfathering of Minimum Account Requirements:** Existing advisory clients are subject to Godsey & Gibb Wealth Management's minimum account requirements and advisory fees in effect at the time the client entered into the advisory relationship. Therefore, our firm's minimum account requirements will differ among clients.

**Termination of the Advisory Relationship:** A client agreement may be canceled at any time, by either party and for any reason. Upon termination of any account, any prepaid, unearned fees will be promptly refunded. In calculating a client's reimbursement of fees, we will pro-rate the reimbursement according to the number of days remaining in the billing period.

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

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

**Limited Prepayment of Fees:** Under no circumstances do we require or solicit payment of fees more than three months in advance of services rendered.

**Additional Fees and Expenses:** In addition to our advisory fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker dealers, including, but not limited to, any transaction charges imposed by a broker dealer with which an independent investment manager effects

transactions for the client's account(s). Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information.

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

**Wrap Fee Programs and Separately Managed Account Fees:** Clients participating in separately managed account programs may be charged various program fees in addition to the advisory fee charged by our firm. Such fees may include the investment advisory fees of the independent advisers, which may be charged as part of a wrap fee arrangement. In a wrap fee arrangement, clients pay a single fee for advisory, brokerage, and custodial services. Client's portfolio transactions may be executed without commission charge in a wrap fee arrangement. In evaluating such an arrangement, the client should also consider that, depending upon the level of the wrap fee charged by the broker-dealer, the amount of portfolio activity in the client's account, and other factors, the wrap fee may or may not exceed the aggregate cost of such services if they were to be provided separately. We will review with clients any separate program fees that they may be charged.

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

Godsey & Gibb Wealth Management does not charge performance-based fees.

## **Item 7 Types of Clients**

Godsey & Gibb Wealth Management provides advisory services to the following types of clients:

- Individuals (other than high net worth individuals)
- High net worth individuals
- Pension and profit sharing plans (other than plan participants)
- Charitable organizations
- Business and institutional clients
- Banks or thrift institutions
- Corporations or other businesses not listed above

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

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

### **METHODS OF ANALYSIS**

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

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

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

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

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

***Mutual Fund and/or ETF Analysis.*** We look at the experience and track record of the manager of the mutual fund or ETF in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We also look at the underlying assets in a mutual fund or ETF in an attempt to determine if there is significant overlap in the underlying investments held in another fund(s) in the client's portfolio. We also monitor the funds or ETFs in an attempt to determine if they are continuing to follow their stated investment strategy.

A risk of mutual fund and/or ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a fund or ETF, managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETF, which could make the holding(s) less suitable for the client's portfolio.

***Risks for all forms of analysis.*** Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly available sources of information about these securities, are providing accurate and

unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

### **INVESTMENT STRATEGIES**

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

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

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

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

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

**Option writing.** We may use options as an investment strategy. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an asset (such as a share of stock) at a specific price on or before a certain date. An option, just like a stock or bond, is a security. An option is also a derivative, because it derives its value from an underlying asset. We may use "covered calls", in which we sell an option on a security you own. In this strategy, you receive a fee for making the option available, and the person purchasing the option has the right to buy the security from you at an agreed-upon price.

**Risk of Loss.** Securities investments are not guaranteed and you may lose money on your investments. We ask that you work with us to help us understand your tolerance for risk.

## **Item 9 Disciplinary Information**

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

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

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

Godsey & Gibb Wealth Management and its management persons are not affiliated with any securities brokerage firms or securities dealers and does not have any other financial industry activities or affiliates.

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

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

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email sent to [cellis@godseyandgibb.com](mailto:cellis@godseyandgibb.com), or by calling us at (804) 285-7333.

Godsey & Gibb Wealth Management and our personnel owe a duty of loyalty, fairness, and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

Our Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's access persons. Our code also provides for oversight, enforcement, and record keeping provisions.

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

As a fiduciary, Godsey & Gibb must serve in its clients' best interests. In other words, Godsey & Gibb's employees may not benefit at the expense of advisory clients. This concept is particularly relevant when employees are making personal investments in securities traded by advisory clients.

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

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

Godsey & Gibb Wealth Management and individuals associated with our firm are prohibited from engaging in cross-agency transactions.

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

1. No principal or employee of our firm may put his or her own interest above the interest of an advisory client.
2. No principal or employee of our firm may buy or sell securities for their personal portfolio(s) where their decision is influenced by information received as a result of his/her employment unless the information is also available to the investing public.
3. It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a trading program being implemented for advisory accounts. This prevents such employees from benefiting from transactions placed on behalf of advisory accounts.
4. We maintain a list of all reportable securities holdings for our firm and anyone associated with this advisory practice that has access to advisory recommendations ("access person"). These holdings are reviewed on a regular basis by our firm's Chief Compliance Officer or his/her designee.
5. We have established procedures for the maintenance of all required books and records.
6. All of our principals and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
7. We require delivery and acknowledgment of the Code of Ethics by each supervised person of our firm.
8. We have established policies requiring the reporting of Code of Ethics violations to our senior management.
9. Any individual who violates any of the above restrictions may be subject to termination.

## **Item 12 Brokerage Practices**

Godsey & Gibb Wealth Management does not have any soft-dollar arrangements and does not receive any soft-dollar benefits.

For discretionary relationships, Godsey & Gibb Wealth Management requires clients to provide written authority to determine the broker-dealer and the commission costs that will be charged for transactions. A client may direct in writing for his/her account be to executed through a broker of his choice.

These clients must include any limitations on this discretionary authority in this written authority statement. Clients may change/amend these limitations as required. Such amendments must be provided to us in writing.

Godsey & Gibb Wealth Management may at times aggregate trades for several accounts. This procedure may result in a lower commission charged per share. In addition, it ensures that all accounts in a block get the same executed price. Where a client directs executions to a broker of his/her choice, the client negotiates commission rates. In cases where the client directs Godsey & Gibb to use a specific broker, we will not negotiate commission rates on behalf of the client. In these instances the commissions paid for trades may be higher than those paid by clients for similar trades. Furthermore, we may not be in a position to block trades and obtain volume discounts and/or best execution. No client or account will be favored over another.

Transactions for any client account may not be aggregated for execution if the practice is prohibited by or inconsistent with the client's advisory agreement with Godsey & Gibb Wealth Management, or our firm's order allocation policy.

Godsey & Gibb Wealth Management will block trades where possible and when advantageous to clients. This blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts, so long as transaction costs are shared equally and on a prorated basis between all accounts included in any such block; subject to certain pricing policies at each custodian.

For program trades the securities trader receives transaction orders during the day for client accounts for various custodians. The trader, after aggregating the trades, will select the custodian to begin trading on an alphabetical basis and execute trades sequentially. When possible, each trade will begin with the trades for the next custodian (alphabetically), until the completion of that trading program.

#### Charles Schwab & Co., Inc. ("Schwab")

Godsey & Gibb Wealth Management may recommend that clients establish brokerage accounts with the Schwab Advisor Services a division of Charles Schwab & Co., Inc. ("Schwab"), a FINRA registered broker-dealer and member of SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Although we recommend that clients establish accounts at Schwab, it is the client's decision to custody assets with Schwab. Godsey & Gibb Wealth Management is independently owned and operated and not affiliated with Schwab.

Schwab provides Godsey & Gibb Wealth Management with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisers on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the adviser's clients' assets are maintained in accounts at Schwab Advisor Services. Schwab's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For our client accounts maintained in its custody, Schwab generally does not charge 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 Schwab or that settle into Schwab accounts.

Schwab also makes available to our firm other products and services that benefit Godsey & Gibb Wealth Management but may not directly benefit our clients' accounts. Many of these products and services may be used to service all or some substantial number of our client accounts, including accounts not maintained at Schwab. Schwab's products and services that assist us in managing and administering our clients' accounts include software and other technology that:

- provide access to client account data (such as trade confirmations and account statements)
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- provide research, pricing and other market data
- facilitate payment of our fees from clients' accounts
- assist with back-office functions, record keeping and client reporting.

Schwab Advisor Services also offers other services intended to help us manage and further develop our business enterprise. These services may include:

- compliance, legal and business consulting
- publications and conferences on practice management and business succession
- access to employee benefits providers, human capital consultants and insurance providers.

Schwab may make available, arrange and/or pay third-party vendors for the types of services rendered to Godsey & Gibb Wealth Management. Schwab Advisor Services may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to our firm. Schwab Advisor Services may also provide other benefits such as educational events or occasional business entertainment of our personnel. In evaluating whether to recommend that clients custody their assets at Schwab, we may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors we consider and not solely on the nature, cost, or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

#### TD Ameritrade

Godsey & Gibb Wealth Management may recommend that clients establish brokerage accounts with TD Ameritrade, a FINRA registered broker-dealer and member of SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Although we recommend that clients establish accounts at TD Ameritrade, it is the client's decision to custody assets with TD Ameritrade. Godsey & Gibb Wealth Management is independently owned and operated and not affiliated with TD Ameritrade.

## **Item 13    Review of Accounts**

### **INVESTMENT SUPERVISORY SERVICES ("ISS")**

#### **INDIVIDUAL PORTFOLIO MANAGEMENT**

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

These accounts are reviewed by:

Michael Gibb, Portfolio Manager    Approximately 750 accounts

Alexis Houlihan, Portfolio Manager    Approximately 550 accounts

**REPORTS:** In addition to the monthly statements and confirmations of transactions that clients receive from their broker-dealer, we provide quarterly reports summarizing account performance, balances, and holdings, and including the follow instruction to clients; "We urge our clients to carefully compare

the information provided on this statement to the statement provided by their custodian to ensure that all account transactions, holdings, and values are correct and current."

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

### **CLIENT REFERRALS**

Our firm may pay referral fees to independent persons or firms ("Solicitors") for introducing clients to us. Whenever we pay a referral fee, we require the Solicitor to provide the prospective client with a copy of this document (our Firm Brochure) and a separate disclosure statement that includes the following information:

- the Solicitor's name and relationship with our firm
- the fact that the Solicitor is being paid a referral fee
- the amount of the fee
- whether the fee paid to us by the client will be increased above our normal fees in order to compensate the Solicitor.

As a matter of firm practice, the advisory fees paid to us by clients referred by solicitors are not increased as a result of any referral.

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

Godsey & Gibb receives client referrals from Charles Schwab & Co., Inc. ("Schwab")

#### Charles Schwab & Co., Inc. (Schwab)

Godsey & Gibb receives client referrals from Schwab through Godsey & Gibb's participation in Schwab Advisor Network ("the Service"). The Service is designed to help investors find an independent investment advisor. Schwab is a broker-dealer independent of and unaffiliated with Godsey & Gibb and its employees. Godsey & Gibb and its employees are not employees or agents of Schwab. Schwab has pre-screened Godsey & Gibb and checked its experience and credentials against criteria that Schwab sets. Schwab does not supervise Godsey & Gibb and has no responsibility for Godsey & Gibb's management of clients' portfolios or Godsey & Gibb's other advice services. Schwab does not prepare, verify, or endorse information distributed by Godsey & Gibb. Investors must decide whether to hire Godsey & Gibb and what authority to give it. Investors, not Schwab, are responsible for monitoring and evaluating Godsey & Gibb's service, performance, and account transactions. Godsey & Gibb pays Schwab fees to receive client referrals through the Service. Godsey & Gibb's participation in the Service may raise potential conflicts of interest described below.

Godsey & Gibb pays Schwab Participation Fees on all referred clients' accounts that are maintained in custody at Schwab and a Non-Schwab Custody Fee on all accounts that are maintained at, or transferred to, another custodian. Participation Fees are a percentage of the value of the assets in the client's

account. Godsey & Gibb pays Schwab Participation Fees for so long as the referred client's account remains in custody at Schwab. Participation Fees are billed to Godsey & Gibb quarterly and may be increased, decreased, or waived by Schwab from time to time. Participation Fees are paid by Godsey & Gibb and not by the client. Godsey & Gibb does not charge clients referred through the Service fees or costs greater than the fees or costs Godsey & Gibb charges clients with similar portfolios who were not referred through the Service.

Godsey & Gibb generally pays Schwab a Non-Schwab Custody Fee if custody of a referred client's account is not maintained by, or assets in the account are transferred, from Schwab. The Non-Schwab Custody Fee is a one-time payment equal to a percentage of the assets placed with a custodian other than Schwab. The Non-Schwab Custody Fee is higher than the Participation Fees Godsey & Gibb generally would pay in a single year. Thus, Godsey & Gibb will have an incentive to recommend that client accounts be held in custody at Schwab.

The Participation and Non-Schwab Custody Fees will be based on assets in accounts of Godsey & Gibb's clients who were referred by Schwab and those referred clients' family members living in the same household.

For accounts of Godsey & Gibb's clients maintained in custody at Schwab, Schwab generally does not charge the client separately for custody but receives compensation from the client in the form of commissions or other transaction-related compensation on securities trades Schwab executes for the client's account. Clients also pay Schwab a fee for clearance and settlement of trades executed through broker-dealers other than Schwab. Schwab's fees for trades executed at other broker-dealers are in addition to the other broker-dealer's fees, and for municipal bonds there is a processing fee of \$25 per bond trade. Godsey & Gibb nevertheless, acknowledges its duty to seek the best execution of trades for client accounts. Trades for client accounts held in custody at Schwab may be executed through a different broker-dealer than trades for Godsey & Gibb's other clients. Thus, trades for accounts custodied at Schwab may be executed at different times and different prices than trades for other accounts that are executed at other broker-dealers.

## **Item 15 Custody**

Godsey & Gibb Wealth Management is deemed to have custody because clients have authorized us to directly debit advisory fees from their advisory accounts and/or because some clients have authorized us to effect third party transfers from client accounts pursuant to standing letters of authorization.

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

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

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

Godsey & Gibb Wealth Management has custody of one account which is subject to an annual surprise audit.

## **Item 16 Investment Discretion**

Clients may hire us to provide discretionary asset management services, in which case we place trades in a client's account without contacting the client prior to each trade to obtain the client's permission.

Our discretionary authority includes the ability to do the following without contacting the client:

- Determine the security to buy or sell
- Determine the amount of the security to buy or sell

Clients give us discretionary authority when they sign a discretionary agreement with our firm, and may limit this authority by giving us written instructions. Clients may also change/amend such limitations by once again providing us with written instructions.

## **Item 17 Voting Client Securities**

### Proxy Notice

Lavinia Moxey is the Proxy Administrator for Godsey & Gibb Wealth Management ("Godsey & Gibb") and is charged with identifying the proxies upon which we will vote, voting the proxies in the best interest of clients, and submitting the proxies promptly and properly.

Godsey & Gibb's policy is to vote proxies in the interest of maximizing shareholder value. To that end, Godsey & Gibb will vote in a way it believes to be best considering both the short- and long-term implications of the proposal to be voted on.

Currently, Godsey & Gibb has identified no conflicts of interest between our clients' interests and our own within our proxy voting process, and does not anticipate that there will be any. Nevertheless, if it is determined that Godsey & Gibb or Lavinia Moxey is facing a material conflict of interest in voting the proxy, our procedures provide for a Proxy Voting Committee to convene and to determine the appropriate vote. Decisions of the Committee must be unanimous. If the Committee cannot reach a unanimous decision, a competent third party will be engaged, at our expense, which will determine the vote that will maximize shareholder value. As an added protection, the third party's decision is binding.

To obtain a copy of our complete proxy voting policies and procedures, clients may contact Lavinia Moxey by telephone, email, or in writing and we will promptly provide such information. If however, a

client wishes to review information on how proxies for his/her shares were voted, a request in writing is required.

## **Item 18 Financial Information**

Under no circumstances do we require or solicit payment of fees more than three months in advance of services rendered. Therefore, we are not required to include a financial statement.

As an advisory firm that maintains discretionary authority for client accounts, we are also required to disclose any financial condition that is reasonably likely to impair our ability to meet our contractual obligations. Godsey & Gibb Wealth Management has no additional financial circumstances to report.

Godsey & Gibb Wealth Management has not been the subject of a bankruptcy petition at any time.