

Asset Management Advisors, Inc.

SEC File Number: 801 – 28717

ADV Part 2A, Firm Brochure

Dated: March 25, 2020

Contact: Lynn Mathre, President and Chief Compliance Officer
2929 Allen Parkway, Suite 2850
Houston, Texas 77019
www.taxaware.com

This Brochure provides information about the qualifications and business practices of Asset Management Advisors, Inc. (the “Registrant”). If you have any questions about the contents of this Brochure, please contact us at (713) 977-9600 or Mathre@taxaware.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 Asset Management Advisors, Inc. also is available on the SEC’s website at www.adviserinfo.sec.gov.

References herein to Asset Management Advisors, Inc. as a “registered investment adviser” or any reference to being “registered” does not imply a certain level of skill or training.

Item 2 Material Changes

Since the last Annual Amendment filing on March 27, 2019, certain non-material amendments have been made at Item 4 regarding the Registrant’s advisory business. Item 5 was amended to clarify the manner in which the Registrant charges its advisory fees. Item 4E has been amended to include additional information regarding the determination of regulatory assets under management. Item 8 has been enhanced to include further detail on the Tax Aware Investment Management Strategies.

ANY QUESTIONS: Registrant’s Chief Compliance Officer, Lynn Mathre, remains available to address any questions regarding this Firm Brochure, including the disclosure additions and enhancements.

Item 3 Table of Contents

Item 1	Cover Page.....	1
Item 2	Material Changes.....	2
Item 3	Table of Contents.....	2
Item 4	Advisory Business	3
Item 5	Fees and Compensation	9
Item 6	Performance-Based Fees and Side-by-Side Management	11
Item 7	Types of Clients.....	11
Item 8	Methods of Analysis, Investment Strategies and Risk of Loss.....	12
Item 9	Disciplinary Information	14
Item 10	Other Financial Industry Activities and Affiliations	14
Item 11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	15
Item 12	Brokerage Practices	16
Item 13	Review of Accounts.....	18
Item 14	Client Referrals and Other Compensation	18
Item 15	Custody.....	18
Item 16	Investment Discretion	19
Item 17	Voting Client Securities.....	19
Item 18	Financial Information	20

Item 4

Advisory Business

- A. Asset Management Advisors, Inc. (the “Registrant”) is a corporation formed on July 24, 1986 in the state of Texas. The Registrant became registered as an Investment Adviser Firm in January 1987. The Registrant is owned by Becky Lynn (“Lynn”) Mathre, the Registrant’s President and Chief Compliance Officer
- B. As discussed below, the Registrant offers to its clients (individuals, trusts, estates and charitable organizations, etc.) investment advisory services, and, to the extent specifically requested by a client, financial planning and related consulting services.

INVESTMENT ADVISORY SERVICES

The client can determine to engage the Registrant to provide discretionary and/or non-discretionary (*See* disclosures below regarding D.H. Hill Securities, LLLP and Private Investment Funds as to non-discretionary) investment advisory services on a *fee* basis, generally range from 1.00% to 0.35%. The Registrant’s annual investment advisory fee is based upon a percentage (%) of the market value of the assets placed under the Registrant’s management. Before engaging the Registrant to provide investment advisory services, clients are required to enter into an *Investment Advisory Agreement* with Registrant setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the fee that is due from the client.

To commence the investment advisory process, an investment adviser representative will first ascertain each client’s goals and investment objectives and then allocate and/or recommend that the client allocate investment assets consistent with the designated goals and investment objectives. Once allocated, the Registrant provides ongoing monitoring and review of account performance and asset allocation as compared to client goals and investment objectives, and may rebalance and/or may recommend rebalancing accounts as necessary based on such reviews.

FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)

To the extent requested by a client, the Registrant may determine to provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone separate fee basis. Registrant’s planning and consulting fees are negotiable depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s). Prior to engaging the Registrant to provide planning or consulting services, clients are generally required to enter into a *Financial Planning and Consulting Agreement* with Registrant setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the client prior to Registrant commencing services. **Please Note:** The Registrant does **not** serve as an attorney or accountant, and no portion of our services should be construed as legal, accounting or insurance services. Accordingly, the Registrant **does not** prepare estate planning or any other legal documents, or tax returns. If requested by the client, Registrant may recommend the services of other professionals for implementation purposes. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from the Registrant. **Please Note:** If the client engages any unaffiliated recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged unaffiliated professional. At all times, the engaged licensed professional[s] (i.e. attorney, accountant, insurance agent, etc.), and

not Registrant, shall be responsible for the quality and competency of the services provided. **Please Also Note:** It remains the client's responsibility to promptly notify the Registrant if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Registrant's previous recommendations and/or services. *See* Limitations of Non-Investment Consulting/Implementation Services below.

MISCELLANEOUS

Limitations of Financial Planning and Non-Investment Consulting/Implementation Services. To the extent requested by the client, the Registrant may provide financial planning and consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. Neither the Registrant, nor any of its representatives, serves as an attorney or accountant, and no portion of the Registrant's services should be construed as legal or accounting services. Therefore, the Registrant **does not** prepare estate planning documents or tax returns for clients. To the extent requested by a client, the Registrant may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance agents, etc.). including representatives of Registrant in their separate individual capacities as registered representatives of D.H. Hill Securities, LLLP an SEC registered and FINRA member broker-dealer, ("*Hill*") and as licensed insurance agents. These representatives may offer commission securities and insurance-related products (including private investment funds) to the Registrant's clients. The insurance licenses are maintained as an accommodation to clients who may require an insurance product that is not otherwise available on a no-load basis. The securities licenses are maintained primarily for the purpose of purchasing income producing alternative investments (*see* Private Investment Funds below) that are not otherwise available on a fee-only basis. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from Registrant and/or its representatives. Neither the Registrant nor its investment adviser representatives assist clients with the implementation of any financial plan, unless they have agreed to do so in writing. In addition, the Registrant does not monitor a client's financial plan, and it is the client's responsibility to revisit the financial plan with the Registrant, if desired. **Please Note:** If the client engages any unaffiliated recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged unaffiliated professional. At all times, the engaged licensed professional[s] (i.e. attorney, accountant, insurance agent, etc.), and **not** Registrant, shall be responsible for the quality and competency of the services provided. **Please Also Note: Conflict of Interest:** The recommendation by Registrant's representative that a client purchase a securities or insurance commission product through Registrant's representatives in their separate and individual capacity as a registered representatives of *Hill* and/or as an insurance agent presents a **conflict of interest**, as the receipt of commissions may provide an incentive to recommend investment or insurance products based on commissions to be received, rather than on a particular client's need. Clients are reminded that they may purchase securities and insurance products recommended by Registrant through other, non-affiliated registered representatives and/or insurance agents. **Registrant's Chief Compliance Officer, Lynn Mathre, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**

Commission Products. If one of the Registrant's representatives has received commission compensation for the sale of an investment product as a registered representative of *Hill*, then the Registrant **does not** include the original purchase price of such investment for purposes of calculating its investment advisory fee described at Item 5 below. When able to do so, the Registrant shall endeavor to obtain products from *Hill* net of the

representative's commission, in which event, the value of such investment will then be included by the Registrant for purposes of calculating its investment advisory fee described below. Regardless, the sale of a commission securities product could nevertheless present a conflict of interest. For any new private investment product purchased through *Hill* after December 31, 2013 for which the Registrant's representative can earn commission compensation, the Registrant will provide the client with a choice, either: (a) pay the commission compensation to *Hill*, a portion of which commission shall be remitted by *Hill* to one or more of Registrant's representatives. By so doing, the original purchase price of the investment shall be excluded from the Registrant's investment advisory fee per the fee schedule below; or (2) elect an advisory fee-offset, whereby the initial commission compensation, when received, would be credited against the Registrant's investment advisory fee, until the entire initial commission compensation has been fully credited against the advisory fee. Thereafter, no further offset will be applied, and the value of the investment will continue to be included for purposes of calculating the Registrant's investment advisory fee. All such products are intended to be long-term investments. Thus, if the client opts for the fee-offset, and the investment is held for the long-term (generally greater than 5 years), depending upon how long thereafter it continues to be held and the client's corresponding advisory fee per the fee schedule below, the client could pay the Registrant a higher advisory fee than if the client opted to pay the commission and forgo the fee offset. **See Private Investment Funds** immediately below. **ANY QUESTIONS:** The Registrant's Chief Compliance Officer, Lynn Mathre, remains available to address them.

Private Investment Funds. Registrant provides investment advice regarding private investment funds. The Registrant may recommend that its clients consider the purchase of private investment funds on a non-discretionary basis. The Registrant's role relative to the private investment funds shall be limited to its initial and ongoing due diligence and investment monitoring services. If a client determines to become a private fund investor, the amount of assets invested in the fund(s) shall be included for purposes of Registrant calculating its annual investment advisory fee (**except, as discussed above, for those private investments sold through *Hill*, unless the client opts for the advisory fee-offset for new private funds purchased through *Hill* after December 31, 2013 as described above.** **Registrant's clients are under absolutely no obligation to consider or make an investment in a private investment fund(s).**

Please Note: Private investment funds generally involve various risk factors, including, but not limited to, potential for complete loss of principal, liquidity constraints and lack of transparency, a complete discussion of which is set forth in each fund's offering documents, which will be provided to each client for review and consideration. Unlike liquid investments that a client may maintain, private investment funds do not provide daily liquidity or pricing. Each prospective client investor will be required to complete a Subscription Agreement, pursuant to which the client shall establish that he/she is qualified for investment in the fund, and acknowledges and accepts the various risk factors that are associated with such an investment.

Please Also Note: Valuation. In the event that Registrant references private investment funds owned by the client on any supplemental account reports prepared by Registrant, the value(s) for all private investment funds owned by the client shall reflect the most recent valuation provided by the fund sponsor. However, if subsequent to purchase, the fund has not provided an updated valuation, the valuation shall reflect the initial purchase price. If subsequent to purchase, the fund provides an updated

valuation, then the statement will reflect that updated value. The updated value will continue to be reflected on the report until the fund provides a further updated value. **Please Also Note:** As result of the valuation process, if the valuation reflects initial purchase price or an updated value subsequent to purchase price, the current value(s) of an investor's fund holding(s) could be significantly more or less than the value reflected on the report. Unless otherwise indicated, the client's advisory fee shall be based upon the value reflected on the report, reduced by the original purchase price of the private investment fund(s).

ANY QUESTIONS: The Registrant's Chief Compliance Officer, Lynn Mathre, remains available to address any questions that a client or prospective client may have regarding private investment funds.

Independent Managers. The Registrant also allocates client investment assets among unaffiliated independent investment managers in accordance with the client's designated investment objective(s). In such situations, the Independent Manager[s] shall have day-to-day responsibility for the active discretionary management of the allocated assets. Registrant shall continue to render investment supervisory services to the client relative to the ongoing monitoring and review of account performance, asset allocation and client investment objectives. Factors that Registrant shall consider in recommending Independent Manager[s] include the client's designated investment objective(s), management style, performance, reputation, financial strength, reporting, pricing, and research. **Please Note:** The investment management fee charged by the Independent Manager[s] is separate from, and in addition to, Registrant's advisory fee as set forth in the fee schedule at Item 5 below. **ANY QUESTIONS:** The Registrant's Chief Compliance Officer, Lynn Mathre, remains available to address any questions that a client or prospective client may have regarding Independent Manager[s].

Use of REITs. Registrant may allocate or recommend the allocation of client investment assets to Real Estate Investment Trusts ("REITs"), which are subject to risks generally associated with investing in real estate, such as: possible declines in the value of real estate; adverse general and local economic conditions; possible lack of availability of mortgage funds; changes in interest rates; and environmental problems. In addition, REITs are subject to certain other risks related specifically to their structure and focus such as: dependency upon management skills; limited diversification; the risks of locating and managing financing for projects; heavy cash flow dependency; possible default by borrowers; the costs and potential losses of self-liquidation of one or more holdings; the possibility of failing to maintain exemptions from securities registration; and, in many cases, relatively small market capitalization, which may result in less market liquidity and greater price volatility. **ANY QUESTIONS:** The Registrant's Chief Compliance Officer, Lynn Mathre, remains available to address any questions that a client or prospective client may have regarding REITs.

Use of Mutual Funds and Exchange Traded Funds: Most mutual funds and exchange traded funds are available directly to the public. Thus, a prospective client can obtain many of the funds that may be utilized by Registrant independent of engaging Registrant as an investment advisor. However, if a prospective client determines to do so, he/she will not receive Registrant's initial and ongoing investment advisory services. **Please Note-Use of DFA Mutual Funds:** Registrant utilizes mutual funds issued by Dimensional Fund Advisors ("DFA"). DFA funds are generally only available through registered investment advisers approved by DFA. Thus, if the client was to terminate Registrant's services, and

transition to another adviser who has not been approved by DFA to utilize DFA funds, restrictions regarding additional purchases of, or reallocation among other DFA funds, will generally apply. **Please Also Note:** In addition to Registrant's investment advisory fee described below, and transaction and/or custodial fees discussed below, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses). **ANY QUESTIONS: Registrant's Chief Compliance Officer, Lynn Mathre, remains available to address any questions that a client or prospective client may have regarding the above.**

Please Note: Retirement Rollovers-Potential for Conflict of Interest: A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). If Registrant recommends that a client roll over their retirement plan assets into an account to be managed by Registrant, such a recommendation creates a conflict of interest if Registrant will earn new (or increase its current) compensation as a result of the rollover. When acting in such capacity, Registrant serves as a fiduciary under the Employee Retirement Income Security Act (ERISA), or the Internal Revenue Code, or both. **No client is under any obligation to roll over retirement plan assets to an account managed by Registrant. Registrant's Chief Compliance Officer, Lynn Mathre, remains available to address any questions that a client or prospective client may have regarding the potential for conflict of interest presented by such rollover recommendation.**

Portfolio Activity. Registrant has a fiduciary duty to provide services consistent with the client's best interest. As part of its investment advisory services, Registrant will review client portfolios on an ongoing basis to determine if any changes are necessary based upon various factors, including, but not limited to, investment performance, fund manager tenure, style drift, account additions/withdrawals, and/or a change in the client's goals or investment objectives. Based upon these factors, there may be extended periods of time when Registrant determines that changes to a client's portfolio are neither necessary nor prudent. Of course, as indicated below, there can be no assurance that investment decisions made by Registrant will be profitable or equal any specific performance level(s). Clients nonetheless remain subject to the fees described in Item 5 below during periods of account inactivity.

Custodian Charges-Additional Fees: As discussed below at Item 12 below, when requested to recommend a broker-dealer/custodian for client accounts, Registrant generally recommends that Charles Schwab and Co. Inc. ("Schwab") serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as Schwab charge transaction fees for effecting securities transactions. In addition to Registrant's investment advisory fee referenced in Item 5 below, the client will also incur transaction fees to purchase securities for the client's account (i.e., mutual funds and fixed income securities, etc.) **ANY QUESTIONS: Registrant's Chief Compliance Officer, Lynn Mathre, remains available to address any questions that a client or prospective client may have regarding the above.**

ByAllAccounts. Registrant, in conjunction with the services provided by ByAllAccounts, Inc., may also provide periodic reporting services which can incorporate all of the client's investment assets, including those investment assets that are not part of the assets managed

by Registrant (the “Excluded Assets”). **The client and/or his/her/its other advisors that maintain trading authority, and not Registrant, shall be exclusively responsible for the investment performance of the Excluded Assets.** Unless otherwise specifically agreed to, in writing, Registrant’s service relative to the Excluded Assets is limited to reporting only. The sole exception to the above shall be if Registrant is specifically engaged to monitor and/or allocate the assets within the client’s 401(k) account maintained away at the custodian directed by the client’s employer. As such, except with respect to the client’s 401(k) account (if applicable), Registrant does not maintain any trading authority for the Excluded Assets. Rather, the client and/or the client’s designated other investment professional(s) maintain supervision, monitoring and trading authority for the Excluded Assets. If Registrant were asked to make a recommendation as to any Excluded Assets, the client is under absolutely no obligation to accept the recommendation, and Registrant shall not be responsible for any implementation error (timing, trading, etc.) relative to the Excluded Assets. In the event the client desires that Registrant provide investment management services for the Excluded Assets, the client may engage the Registrant to do so pursuant to the terms and conditions of the *Investment Advisory Agreement* between Registrant and the client.

Please Note: Non-Discretionary Service Limitations. Clients that determine to engage the Registrant on a non-discretionary investment advisory basis **must be willing to accept** that the Registrant cannot effect any account transactions without obtaining prior verbal consent to any such transaction(s) from the client. Thus, in the event of a market correction during which the client is unavailable, the Registrant will be unable to effect any account transactions (as it would for its discretionary clients) without first obtaining the client’s consent.

Please Note: Inverse/Enhanced Market Strategies. Registrant may utilize long and short mutual funds and/or exchange traded funds that are designed to perform in either an: (1) inverse relationship to certain market indices (at a rate of 1 or more times the inverse [opposite] result of the corresponding index) as an investment strategy and/or for the purpose of hedging against downside market risk; and (2) enhanced relationship to certain market indices (at a rate of 1 or more times the actual result of the corresponding index) as an investment strategy and/or for the purpose of increasing gains in an advancing market. There can be **no assurance** that any such strategy will prove profitable or successful. In light of these enhanced risks/rewards, a client may direct the Registrant, in writing, not to employ any or all such strategies for his/her/their/its accounts. **ANY QUESTIONS:** Registrant’s Chief Compliance Officer, Lynn Mathre, remains available to address any questions that a client or prospective client may have regarding the above.

Please Note: Investment Risk. Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by Registrant) will be profitable or equal any specific performance level(s).

Client Obligations. In performing its services, Registrant shall not be required to verify any information received from the client or from the client’s other professionals, and is expressly authorized to rely thereon. Moreover, each client is advised that it remains his/her/its responsibility to promptly notify the Registrant if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Registrant’s previous recommendations and/or services.

- C. The Registrant shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will ascertain each client's investment objective(s). Thereafter, the Registrant shall allocate and/or recommend that the client allocate investment assets consistent with the designated goals and investment objective(s). The client may, at anytime, impose reasonable restrictions, in writing, on the Registrant's services.
- D. Registrant does not offer a wrap fee program for its investment advisory services.
- E. As of December 31, 2019, the Registrant had \$280,826,129 in assets under management on a discretionary basis and \$151,116,204 in assets under management on a non-discretionary basis. Please note that, in certain instances where particular alternative investment sponsors do not provide timely year-end valuation information, the Registrant may rely on the most recent reported quarterly information to determine regulatory assets under management.

Item 5 Fees and Compensation

- A. The client can determine to engage the Registrant to provide discretionary and/or non-discretionary investment advisory services on a *fee* basis.

INVESTMENT ADVISORY SERVICES

If a client determines to engage the Registrant to provide discretionary and/or non-discretionary (*See* disclosure above at Item 4 regarding DH Hill Securities, LLP and Private Investment Funds as to non-discretionary) investment advisory services, the Registrant's annual investment advisory fee shall be based upon a percentage (%) of the market value and type of assets placed under the Registrant's management (between negotiable and 1.00%) as follows:

<u>Assets</u>	<u>Annual Fee %</u> *, **
First \$1,000,000	1.00%
Next \$2,000,000	0.75%
Next \$2,000,000	0.60%
Next \$2,500,000	0.50%
Next \$2,500,000	0.40%
Over \$10,000,000	0.35%

*In addition to the above fees, each household is subject to \$900 quarterly fee for account administration, tax planning and reporting.

** Subject to a \$4,000 annual minimum fee. *See* disclosure at Item 7 below.

Fee Dispersion

The Registrant's investment advisory fee is negotiable at its discretion, depending upon objective and subjective factors including but not limited to: the amount of assets to be managed; portfolio composition; the scope and complexity of the engagement; the anticipated number of meetings and servicing needs; related accounts; future earning capacity; anticipated future additional assets; the professional(s) rendering the service(s); prior relationships with the Registrant and/or its representatives, and negotiations with the client. As a result of these factors, similarly situated clients could pay different fees, the services to be provided by the Registrant to any particular client could be available from other advisers at lower fees, and certain clients may have fees different than those

specifically set forth above. The Registrant's Chief Compliance Officer, Lynn Mathre, remains available to address any questions that a client or prospective client may have regarding the above fee determination.

FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)

To the extent specifically requested by a client, the Registrant may determine to provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone fee basis. Registrant's planning and consulting fees are negotiable, but generally range from \$80-\$300 on an hourly rate basis, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s).

- B. Clients may elect to have the Registrant's advisory fees deducted from their custodial account. Both Registrant's *Investment Advisory Agreement* and the custodial/ clearing agreement may authorize the custodian to debit the account for the amount of the Registrant's investment advisory fee and to directly remit that management fee to the Registrant in compliance with regulatory procedures. In the limited event that the Registrant bills the client directly, payment is due upon receipt of the Registrant's invoice. During the initial period of the engagement, the Registrant's annual fee shall be prorated and paid quarterly, in advance, based upon the market value of the assets on the last business day of the previous quarter. The initial period shall be between 5 and 9 quarters, depending upon the time of the engagement. Upon completion of the initial period and for the next four quarters, the client shall pay a fixed annual level Investment Advisory Fee based on the market value of the assets under management on the second June 30th of the client engagement and each subsequent June 30th. The fees will be payable in equal quarterly installments on September 1st, December 1st, March 1st and June 1st prior to each respective calendar quarter end. For example, if a client engages the Registrant on May 31 of the current year, the Registrant's annual Investment Advisory Fee shall be prorated and paid quarterly, in advance, based upon the market value of the assets under management on the last business day of the previous quarter. Thus the client would be billed quarterly in advance through the third quarter of the next year. **Please Note:** Once the annual fixed fee is established, there are no intra-year fee adjustments made for account additions or withdrawals during the billing year and or until June 30th of the subsequent year.
- C. As discussed below, unless the client directs otherwise or an individual client's circumstances require, the Registrant shall generally recommend that *Schwab* serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as *Schwab* charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e. transaction fees are charged for certain no-load mutual funds and fixed income securities transactions). In addition to Registrant's investment management fee, brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses).
- D. Registrant's annual investment advisory fee shall be prorated and paid quarterly, in advance, based upon the market value of the assets on the last business day of the previous quarter and in the manner set forth at Item 5B above. The Registrant generally requires an annual minimum fee of \$4,000. The Registrant, in its sole discretion, may charge a lesser investment management fee and/or waive or reduce its minimum annual fee based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets,

dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.). In the event that the Registrant does charge an annual minimum fee, the client could pay a higher percentage advisory fee than the 1.00% referenced in the above fee schedule.

The *Investment Advisory Agreement* between the Registrant and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the *Investment Advisory Agreement*. Upon termination, the Registrant shall refund the prorated portion of the advanced advisory fee paid based upon the number of days remaining in the billing quarter. The \$900 quarterly fee for account administration, tax planning and reporting is not refundable or prorated.

- E. **Securities Commission Transactions. Please Note:** As disclosed above at Item 4, certain of Registrant's representatives are also registered representatives of *Hill*, an SEC registered and FINRA member broker-dealer. The securities licenses are maintained primarily for the purpose of purchasing income producing alternative investments that are not otherwise available on a fee-only basis. ***Please see disclosures above*** at Item 4B regarding *Hill* and Private Investment Funds.

1. **Conflict of Interest:** The recommendation that a client purchase a commission product from *Hill* presents a ***conflict of interest***, as the receipt of commissions may provide an incentive to recommend investment products based on commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase any commission products from Registrant's representatives. **The Registrant's Chief Compliance Officer, Lynn Mathre, remains available to address any questions that a client or prospective client may have regarding the above conflict of interest.**
2. **Please Note:** Clients may purchase investment products recommended by Registrant through other, non-affiliated broker dealers or agents.
3. The Registrant does not receive more than 50% of its revenue from advisory clients as a result of commissions or other compensation for the sale of investment products the Registrant recommends to its clients.
4. The Registrant does not charge advisory fees in addition to commissions or markups, please refer to the disclosures provided in Item 4.B. with respect to *Hill*.

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

Neither the Registrant nor any supervised person of the Registrant accepts performance-based fees.

Item 7 Types of Clients

The Registrant's clients shall generally include individuals, trusts, estates and charitable organizations. The Registrant generally requires an annual minimum fee of \$4,000 for investment advisory services. The Registrant, in its sole discretion, may charge a lesser

investment management fee and/or waive or reduce its minimum annual fee based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, competition, negotiations with client, etc.). **Please Note:** As result of the above, similarly situated clients could pay different fees. In addition, similar advisory services may be available from other investment advisers for similar or lower fees. **Please Also Note:** In the event that the Registrant does charge an annual minimum fee, the client could pay a higher percentage advisory fee than the 1.00% referenced in the above fee schedule. **ANY QUESTIONS:** Registrant's Chief Compliance Officer, Lynn Mathre, remains available to address any questions that a client or prospective client may have regarding advisory fees.

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

A. The Registrant may utilize the following methods of security analysis:

- **Fundamental** (analysis performed on historical and present data, with the goal of making financial forecasts)
- **Technical** (analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices)
- **Cyclical** (analysis performed on historical relationships between price and market trends, to forecast the direction of prices)

The Registrant may utilize the following investment strategies when implementing investment advice given to clients:

- **Long Term Purchases** (securities held at least a year)
- **Short Term Purchases** (securities sold within a year)

Please Note: Investment Risk. Investing in securities involves risk of loss that clients should be prepared to bear. Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by the Registrant) will be profitable or equal any specific performance level(s).

Private Investment Funds. As noted in Item 4 above, Registrant provides investment advice regarding private investment funds. The Registrant may recommend that its clients consider the purchase of private investment funds on a non-discretionary basis. The Registrant's role relative to the private investment funds shall be limited to its initial and ongoing due diligence and investment monitoring services. If a client determines to become a private fund investor, the amount of assets invested in the fund(s) shall be included for purposes of Registrant calculating its annual investment advisory fee (except, as discussed above, for those private investments sold through Hill, unless the client opts for the advisory fee-offset for new private funds purchased through Hill after December 31, 2013 as described above). Registrant's clients are under absolutely no obligation to consider or make an investment in a private investment fund(s).

Please Note: Private investment funds generally involve various risk factors, including, but not limited to, potential for complete loss of principal, liquidity constraints and lack of transparency, a complete discussion of which is set forth in each fund's offering documents, which will be provided to each client for review and consideration. Unlike

liquid investments that a client may maintain, private investment funds do not provide daily liquidity or pricing. Each prospective client investor will be required to complete a Subscription Agreement, pursuant to which the client shall establish that he/she is qualified for investment in the fund, and acknowledges and accepts the various risk factors that are associated with such an investment.

Please Also Note: Valuation. In the event that Registrant references private investment funds owned by the client on any supplemental account reports prepared by Registrant, the value(s) for all private investment funds owned by the client shall reflect the most recent valuation provided by the fund sponsor. However, if subsequent to purchase, the fund has not provided an updated valuation, the valuation shall reflect the initial purchase price. If subsequent to purchase, the fund provides an updated valuation, then the statement will reflect that updated value. The updated value will continue to be reflected on the report until the fund provides a further updated value. Please Also Note: As result of the valuation process, if the valuation reflects initial purchase price or an updated value subsequent to purchase price, the current value(s) of an investor's fund holding(s) could be significantly more or less than the value reflected on the report. Unless otherwise indicated, the client's advisory fee shall be based upon the value reflected on the report, reduced by the original purchase price of the private investment fund(s).

Tax Aware Investment Management Strategies: The Registrant employs Tax Aware Investment Management Strategies for its clients, as appropriate. These strategies are dynamic as client circumstances may change from year to year, considering both clients' individual financial and tax circumstances, as well as changes in tax legislation and regulations. This program includes the following strategies:

1. Review and analysis of a client's various tax returns and coordinate with clients' tax professionals
2. Minimize penalties and interest by reviewing income tax withholding and estimated tax payments throughout the year
3. Tax efficient asset allocation and asset location
4. Tax loss or gain harvesting when appropriate
5. Acceleration or deferral of income when appropriate
6. Acceleration or deferral of deductions when appropriate
7. Identifying tax efficient investment managers and funds

Please Note: These strategies are subject to review when clients' situations and/or tax rules change. There can be no assurance that less tax will be paid using these strategies if such clients' situation and /or tax rules change mid-year or over a period of several years.

- B. The Registrant's methods of analysis and investment strategies do not present any significant or unusual risks. However, every method of analysis has its own inherent risks. To perform an accurate market analysis, the Registrant must have access to current/new market information. The Registrant has no control over the dissemination rate of market information; therefore, unbeknownst to the Registrant, certain analyses may be compiled with outdated market information, severely limiting the value of the Registrant's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

The Registrant's primary investment strategies - Long Term Purchases and Short Term Purchases - are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy.

- C. Currently, the Registrant primarily allocates client investment assets among various individual equity (stocks), debt (bonds), mutual funds, bond funds, exchange traded funds, exchange traded notes, other fixed income securities, unaffiliated private investment funds (*see* Item 4 above) Independent Managers (*see* Item 4 above) and/or non-traded / non-public REITS (*see* Item 4 above) on a discretionary and non-discretionary basis in accordance with the client's designated investment objective(s).

Item 9 Disciplinary Information

The Registrant has not been the subject of any disciplinary actions.

Item 10 Other Financial Industry Activities and Affiliations

- A. Certain of Registrant's representatives are also registered representatives of *Hill*, an SEC registered and FINRA member broker-dealer.
- B. Neither the Registrant, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.
- C. **Broker Dealer.** Certain of Registrant's representatives are also registered representatives of *Hill*, an SEC registered and FINRA member broker-dealer, and in such individual registered/licensed capacities may offer commission securities products (including private investment funds) to the Registrant's clients. The securities licenses are maintained primarily for the purpose of purchasing income producing alternative investments (*see* Private Investment Funds below) that are not otherwise available on a fee-only basis. The recommendation that a client purchase a commission product from *Hill* presents a ***conflict of interest***, as the receipt of commissions may provide an incentive to recommend investment products based on commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase any commission products through *Hill* from Registrant's Representatives. ***Please See*** corresponding disclosure at the Miscellaneous section of Item 4 regarding fee-offset and advisory fee calculation relative to private investment funds purchased through *Hill*. **ANY QUESTIONS:** The Registrant's Chief Compliance Officer Lynn Mathre, remains available to address them.

Licensed Insurance Agents. One of the Registrant's representatives is, in their individual capacity, a licensed insurance agent, and may recommend the purchase of certain insurance-related products on a commission basis. The recommendation by the Registrant's representative that a client purchase an insurance commission product presents a ***conflict of interest***, as the receipt of commissions may provide an incentive to

recommend insurance products based on commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase any commission products from the Registrant's representatives. Clients are reminded that they may purchase insurance products recommended by Registrant through other, non-affiliated insurance agents. **Registrant's Chief Compliance Officer remains available to address any questions that a client or prospective client may have regarding the above conflicts of interest.**

- D. The Registrant does not receive, directly or indirectly, compensation from investment advisors that it recommends or selects for its clients.

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

- A. The Registrant maintains an investment policy relative to personal securities transactions. This investment policy is part of Registrant's overall Code of Ethics, which serves to establish a standard of business conduct for all of Registrant's Representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, the Registrant also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by the Registrant or any person associated with the Registrant.

- B. Neither the Registrant, nor any related person of Registrant, recommends, buys, or sells for client accounts, securities in which the Registrant or any related person of Registrant has a material financial interest.
- C. The Registrant and/or representatives of the Registrant *may* buy or sell securities that are also recommended to clients. This practice may create a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. Practices such as "scalping" (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if the Registrant did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, "front-running" (i.e., personal trades executed prior to those of the Registrant's clients) and other potentially abusive practices.

The Registrant has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of the Registrant's "Access Persons". The Registrant's securities transaction policy requires that an Access Person of the Registrant must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person's current securities holdings at least once each twelve (12) month period thereafter on a date the Registrant selects;

provided, however that at any time that the Registrant has only one Access Person, he or she shall not be required to submit any securities report described above.

- D. The Registrant and/or representatives of the Registrant *may* buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. As indicated above in Item 11.C, the Registrant has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of Registrant's Access Persons.

Item 12 Brokerage Practices

- A. In the event that the client requests that the Registrant recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct the Registrant to use a specific broker-dealer/custodian), Registrant generally recommends that investment management accounts be maintained at *Schwab*. Prior to engaging Registrant to provide investment management services, the client will be required to enter into a formal *Investment Advisory Agreement* with Registrant setting forth the terms and conditions under which Registrant shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that the Registrant considers in recommending *Schwab* (or any other broker-dealer/custodian to clients) include historical relationship with the Registrant, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by Registrant's clients shall comply with the Registrant's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where the Registrant determines, in good faith, that the commission/transaction fee is reasonable. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Registrant will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, Registrant's investment management fee. The Registrant's best price execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

1. Non-Soft Dollar Research and Additional Benefits

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, Registrant can receive from *Schwab* (or another broker-dealer/custodian, investment platform, unaffiliated investment manager, vendor, and/or mutual fund sponsor) without cost (and/or at a discount) support services and/or products, certain of which assist the Registrant to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by the Registrant may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis

attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by Registrant in furtherance of its investment advisory business operations.

As indicated above, certain of the support services and/or products that may be received may assist the Registrant in managing and administering client accounts. Others do not directly provide such assistance, but rather assist the Registrant to manage and further develop its business enterprise.

Registrant's clients do not pay more for investment transactions effected and/or assets maintained at *Schwab* as a result of this arrangement. There is no corresponding commitment made by the Registrant to *Schwab* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

The Registrant's Chief Compliance Officer, Lynn Mathre, remains available to address any questions that a client or prospective client may have regarding the above arrangements and the corresponding conflict of interest presented by such arrangements.

2. The Registrant does not receive referrals from broker-dealers.
3. The Registrant does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and Registrant will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by Registrant. As a result, client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

Please Note: In the event that the client directs Registrant to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through Registrant. Higher transaction costs adversely impact account performance. **Please Also Note:** Transactions for directed accounts will generally be executed following the execution of portfolio transactions for non-directed accounts.

The Registrant's Chief Compliance Officer, Lynn Mathre, remains available to address any questions that a client or prospective client may have regarding the above arrangement.

- B. To the extent that the Registrant provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless the Registrant decides to purchase or sell the same securities for several clients at approximately the same time. The Registrant may (but is not obligated to) combine or "bunch" such orders to obtain best execution, to negotiate more favorable commission rates

or to allocate equitably among the Registrant's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. The Registrant shall not receive any additional compensation or remuneration as a result of such aggregation.

Item 13 Review of Accounts

- A. For those clients to whom Registrant provides investment supervisory services, account reviews are conducted on an ongoing basis by the Registrant's Principals and/or representatives. All investment supervisory clients are advised that it remains their responsibility to advise the Registrant of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review financial planning issues (to the extent applicable), investment objectives and account performance with the Registrant on an annual basis.
- B. The Registrant *may* conduct account reviews on an other than periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.
- C. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. The Registrant may also provide a written periodic report summarizing account activity and performance.

Item 14 Client Referrals and Other Compensation

- A. As referenced in Item 12.A.1 above, the Registrant can receive economic benefits from *Schwab* including support services and/or products without cost (and/or at a discount). Registrant's clients do not pay more for investment transactions effected and/or assets maintained at *Schwab* as a result of this arrangement. There is no corresponding commitment made by the Registrant to *Schwab* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

The Registrant's Chief Compliance Officer, Lynn Mathre, remains available to address any questions that a client or prospective client may have regarding the above arrangements and the corresponding conflict of interest presented by such arrangements.

- B. Registrant does not compensate, directly or indirectly, any person, other than its employees for client introductions.

Item 15 Custody

Registrant shall have the ability to deduct its advisory fee from the client's custodial account. Clients are provided with written transaction confirmation notices, and a written summary account statement directly from the custodian (i.e., Schwab, etc.) at least

quarterly. **Please Note:** To the extent that Registrant provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by Registrant with the account statements received from the account custodian. **Please Also Note:** The account custodian does not verify the accuracy of Registrant's advisory fee calculation.

The Registrant engages in other practices and/or services on behalf of its clients that require disclosure at ADV Part 1, Item 9. Some of such practices and/or services are subject to an annual surprise CPA examination in accordance with the requirements of Rule 206(4)-2 under the Investment Advisers Act of 1940. In addition, certain clients have established asset transfer authorizations which permit the qualified custodian to rely upon instructions from the Registrant to transfer client funds or securities to third parties. These arrangements are also disclosed at ADV Part 1, Item 9, but in accordance with the guidance provided in the SEC's February 21, 2017 Investment Adviser Association No-Action Letter, the affected accounts **are not** subject to an annual surprise CPA examination.

The Registrant's Chief Compliance Officer remains available to address any questions that a client or prospective client may have regarding custody-related issues.

Item 16 Investment Discretion

The client can determine to engage the Registrant to provide investment advisory services on a discretionary basis. Prior to the Registrant assuming discretionary authority over a client's account, the client shall be required to execute an *Investment Advisory Agreement*, naming the Registrant as the client's attorney and agent in fact, granting the Registrant full authority to buy, sell, or otherwise effect investment transactions involving the assets in the client's name found in the discretionary account.

Clients who engage the Registrant on a discretionary basis may, at any time, impose restrictions, **in writing**, on the Registrant's discretionary authority (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe the Registrant's use of margin, etc.).

Item 17 Voting Client Securities

- A. The Registrant does not vote client proxies. Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets.
- B. Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact the Registrant to discuss any questions they may have with a particular solicitation.

Item 18 Financial Information

- A. The Registrant does not solicit fees of more than \$1,200, per client, six months or more in advance.
- B. The Registrant is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.
- C. The Registrant has not been the subject of a bankruptcy petition.

ANY QUESTIONS: The Registrant's Chief Compliance Officer, Lynn Mathre, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.