

PRENTISS SMITH AND COMPANY, INC.

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This brochure provides information about the qualifications and business practices of Prentiss Smith & Company, Inc. If you have any questions about the contents of this brochure, please contact us at (800)223-7851 and/or [www.socialinvesting.com](http://www.socialinvesting.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.

Prentiss Smith and Co. is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with the information to help you determine to hire or retain an adviser.

Additional information about Prentiss Smith & Company is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Prentiss Smith and Company, Inc.**

### **Item 2: Material Changes**

The only material change since our dissemination of our ADV as of December 31, 2018 is that we have closed our branch office in Burlington, Vermont. This transpired in the Fall of 2019.

Our Brochure may be requested by contacting Penny Kaufman at (800)223-7851 or [penny@prentiss-smith.com](mailto:penny@prentiss-smith.com). Our Brochure is also available on our web site [www.socialinvesting.com](http://www.socialinvesting.com), also free of charge.

Additional information about Prentiss Smith and Company is also available via the SEC's web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's web site also provides information about any persons affiliated with Prentiss Smith and Company who are registered, or are required to be registered, as investment adviser representatives of Prentiss Smith and Company.

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

Prentiss Smith and Company, Inc. was founded in 1982 by Prentiss C. Smith, and incorporated in 1984 in Brattleboro, Vermont. The firm is 98% owned by Prentiss C. Smith and his immediate family, with 2% ownership by other individuals.

The objective of our company is to provide individuals and institutions with socially responsible investment management services. As socially responsible investment managers, we take into consideration the societal impact of corporate operations as well as the profit generated for shareholders by corporations.

Although Prentiss Smith and Company has discretion over the buying and selling of clients' assets, in certain instances clients may place restrictions on specific securities in their account as well as prohibiting the purchase of securities within a certain industry or asset class. These limitations may have an effect on the performance of the account.

Prentiss Smith and Company provides portfolio management services to some accounts enrolled in a wrap fee program with their broker. These accounts are not managed any differently than other accounts. Our management fee is calculated by us in the same manner as other accounts, and the wrap accounts are billed accordingly – we do not receive any portion of the wrap fee for our services.

As of 12/31/2019 we managed \$416.64 million on a discretionary basis and \$3.89 million on a non-discretionary basis.

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

The fee charged for investment advisory services is a percentage of the assets under management. The fee may be deducted from the account or we will bill the client directly, if that is the client's preference. The standard fee schedule is 0.75% per annum on amounts up to \$5 million; 0.65% on the next \$5 million; 0.55% on the next \$10 million. Each client's fee arrangement is contained in a written agreement with Prentiss Smith & Co., signed by the client. Fees are negotiable, no ranges have been established. The fee is payable in advance, every three months, based on the account value at the end of the calendar quarter. The per annum rate is divided by four then applied to the market value to arrive at the quarterly assessment. The calculation of the first payment commences with our receipt of assets to manage, unless an alternate arrangement is made. Fee calculation details are sent to the client along with our quarterly report. Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. The contract can be terminated at any time by a written or verbal notice from either the client or the advisor. The quarterly fee paid would be refunded on a prorated basis upon termination of the contract.

In addition to our management fees, clients are charged a brokerage commission on trades executed (please refer to Item 12 of this brochure *Brokerage Practices*) and may also be charged a custodial fee by their non-broker custodian. Applicant may purchase mutual funds for clients, and occasionally a client will bring into his/her portfolio mutual fund shares previously purchased. Client's management fee is based on the entire market value of the account, which includes mutual fund shares. Since client may already pay a management fee to the mutual fund company, our additional fee may result in the client's paying two management fees on the mutual fund holdings.

No employees of Prentiss Smith and Company receive compensation for the sale of securities or other investment products.

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

We do not assess any management fees based on account performance.

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

Prentiss Smith and Company provides investment management services to Individuals, Trusts, Estates, Charitable Organizations, and Corporations. The minimum beginning account value is \$400,000.00. This minimum may be waived on new accounts referred by current clients.

#### **Item 8: Methods of Analysis and Investment Strategies**

We view our investment style as a long-term, value-driven approach that is contrarian in nature. In general terms we see the pricing of stocks as a constant struggle between the fundamental math underlying stock values and the shifting of investor psychology. We typically buy stocks when the share price has fallen, volume is subdued, and investor psychology has turned negative toward particular companies. Conversely, we reduce positions when the share price runs well ahead of progress at a given company.

We also believe that a company's long-term success is inexorably linked to a positive relationship between the company and its employees, community, and the environment. We screen out a variety of industries and practices from investment consideration and further evaluate all potential investments in-house. We seek out those companies that are working to reduce their environmental impact and that are treating employees and shareholders fairly in all matters.

The investment process begins with a quantitative approach that measures the relative valuation of a company against peers and its own growth profile. This produces a list of candidates for investment that we analyze further. We then consider the market position of the underlying company, its balance sheet, free cash flow and strategy for deployment of cash flow, economic sensitivity of the business, exposure to interest rate fluctuations, and management's ability and integrity. If we do not find anything within our research that contradicts or undermines the quantitative signal, we consider the stock for purchase.

When making fixed income investments the objective is to produce a return for clients that exceeds inflation on an after-tax basis. We have employed a number of strategies, including inflation-indexed treasury bonds, government agency notes, high-grade municipal bonds, foreign government bonds, and investment-grade corporate bonds to achieve this goal. There are times when we hold substantial portions of cash or short-term treasury bills in accounts, when we cannot satisfy the investment objective above without, what we believe to be, excessive duration and interest-rate risk in the portfolio. To the extent that we buy corporate bonds, these investments are screened on the same environmental, social and governance points as equity investments.

Finally, we employ two investment strategies for our clients; a total return approach that incorporates a mix of fixed income and equity investments with broad discretion granted to us over asset allocation, and a relative return approach that maintains strict asset allocations at the instruction of the client and references a specific benchmark.

#### **Item 8 (b): Risk Disclosure**

Investing in securities involves risk of loss that clients should be prepared to bear. Any security, and by extension, any investment portfolio, can decline in value.

Equity securities are exposed to both general market risk and specific investment risk. The price of a stock is often affected by fluctuations in the broader market and this volatility can result in significant investment loss. Additionally, a particular investment may decline in value, irrespective of the general stock market, if a company fails to meet investor expectations over a given time frame.

Our particular investment style, a long-term, value-based, contrarian investment style, is our attempt to control some of these risks, while maximizing returns. In diverging from the broad stock market we run the risk of long-term underperformance and outsized volatility. Additionally, our ESG screen (Environmental, Social and Governance) limits the number of companies for selection and this may in turn hinder our performance relative to the broad stock market.

Fixed income securities are predominantly exposed to credit risk and interest rate risk. Bonds carry a risk of default, in which an issuer is unable or unwilling to make payments on interest or principal. Additionally, the threat of default will often result in a downgrade by a credit agency. Either event will result in a likely loss for the bondholder. Interest rate risk is present when interest rates are rising and a fixed income security may not be held to maturity. The price on the bond will likely decline in value, as its interest rate increases to match the broader market. An investor selling the bond early will suffer a loss on their investment that will become greater with longer dated maturities. Finally, a bond investor may face inflation risk, call risk, prepayment risk and liquidity risk, depending upon the nature of the fixed income security.

**Item 9: Disciplinary Information**

There have been no incidents of criminal or civil action, administrative proceedings before the SEC or any SRO proceedings against our firm or any personnel, management or otherwise.

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

Prentiss Smith and Company has no affiliations or arrangements with any financial industry organizations. Our management personnel are registered only as representatives of our firm. Our firm and our management personnel do not receive compensation, directly or indirectly, from any financial industry organization.

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

All supervised persons, defined herein as partners, officers, directors and employees of Prentiss Smith and Company, are required to abide by a standard of conduct that respects the fiduciary obligation that we have to our clients and complies with all federal securities laws. Prentiss Smith and Company will not condone any behavior that is, or could be construed to be, unethical, dishonest or illegal. Supervised persons are forbidden from accepting gifts of any kind from clients. Employees may not serve as director of a publicly traded company without prior approval of Prentiss C. Smith. A copy of our Code of Ethics is available upon request.

Prentiss Smith & Co., Inc. household accounts, which include PSC employees as well as spouses and children of employees, may from time to time buy, sell, or hold positions in various securities in which clients may also have a financial interest. Securities trades for PSC household accounts will be either entered separately after all client trades in said security have been completed, or may in certain cases be aggregated with the client trades. If a trade is partially filled, PSC household accounts will not receive any shares from such aggregated trades. PSC household accounts may be included in an aggregated trade only if all clients receive their full intended allocation.

All trades, including IPO participation, done outside the trading desk by employees must receive pre-approval from the Company President, Chief Compliance Officer, or their designee, prior to placement of said trades and trade must be executed by the end of the trading day on the day the approval is given. Additionally, all trades done outside the trading desk must be reported to the trading desk within 10 days after the end of the quarter and will be reviewed by the CCO and Prentiss C. Smith to ensure compliance. All employees are required to submit complete reports of all of their securities holdings. This report must be received by the CCO at the time of hire, and annually thereafter, to be received by the CCO not more than 30 days following the end of the calendar year.

Employees are strictly forbidden to make either a buy or a sell trade based on insider information. Insider information is deemed to be information that could have a material impact on a company and its stock price, and is not generally known by the public. In the event an employee becomes privy to insider information, he/she must report this information to Prentiss C. Smith, President, immediately and must not disclose this information to any other person.

## **Item 12: Brokerage Practices**

Prentiss Smith and Company may recommend qualified custodians to clients for their approval. PSC is independently owned and not affiliated with any custodian. When recommending a brokerage firm as custodian for a client's assets we consider our ability to negotiate lower commission rates with said broker/custodian, our ability to aggregate trades for a larger number of clients at said broker/custodian, best execution of trades we enter on behalf of clients, our ability to buy securities from firms other than the broker/custodian and have them delivered to the clients' accounts (called a trade away), commission volume discounts that may accrue to clients, and operational services, such as web access and on-line banking.

We do not participate in any soft dollar arrangements with brokers or custodians.

When negotiating brokerage fees we consider all aspects of brokerage firm services, including its information technology and reporting systems, its ability to execute orders in a timely fashion, the trading ability of its traders or brokers, availability of its personnel, particularly during periods of heavy market activity, and its back office capabilities. We try to negotiate low commission rates for our clients while obtaining brokerage services that we deem valuable to our management of client accounts. At this time, the majority of our clients trade with brokers that no longer charge any trade commission. All remaining broker relationships with commission-charging brokers are client-directed broker relationships.

Directed brokerage relationships may occur if a client requests to work with a specific firm, usually one with whom they have an established relationship. In those instances, all trades for that client would be placed with the requested broker. Directed brokerage relationships also occur in wrap account programs where all trades go through the brokerage firm sponsoring the wrap program. In cases of directed brokerage, clients should be aware that our ability to negotiate lower commissions, aggregate trades, achieve best trade execution, have access to certain securities (in particular certain bonds), receive certain services, or get volume discounts for clients, may be limited or compromised by such directed brokerage relationships.

Advisor conducts an annual analysis of commission rates paid on trades through all brokers. Clients will be contacted and apprised of the options available if their commission rates are out of line with those paid by our clients through other brokers or, in some instances, the same broker.

Advisor aggregates trades for clients when practicable. Our policy governing the allocation of aggregated trades (also referred to as block trades) is as follows: if a block order is fully executed the allocation of shares will conform to the client allocation sheet drawn up before the trade was entered. All clients trading through the same broker will receive the same average price if the trade is executed at different price points. If a block order is partially executed the shares will be divided amongst clients so that each client receives a meaningful part of the intended allocation. In those cases where the amount of shares purchased or sold is too small to be divided into meaningful lots, the shares will be allocated to clients based on their portfolio structure and investment objectives. If all portfolio factors are equal the shares in a partially filled order will be rotated among clients in an equitable manner.

From time to time we may purchase a security from a broker other than the custodial broker and transfer this purchase into a client's account. This is called a trade-away and is done when the custodial broker is unable to obtain a particular security (usually a bond) that we feel is important to the structure of the client's account. The cost of this service is \$25.00, charged by the client's custodian for processing the trade-away transaction.

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

The members of the team that review accounts are Prentiss R. Smith, President and portfolio strategist; Frederick Brubaker, Senior Research Analyst; Prentiss C. Smith, Chairman and Senior Advisor; and Penny Kaufman, client relations. Prentiss R. Smith, Frederick Brubaker and Prentiss C. Smith are responsible for researching equity and fixed income markets and determine the timing of stock and bond transactions. Members of the team analyze the structure of client portfolios and track the performance of accounts, bearing in mind the overall objective of each client. The final decisions to buy or sell positions are made by Prentiss R. Smith and Prentiss C. Smith. Members of the team review the client accounts under their purview on at least a semi-annual basis.

Clients receive monthly position and transaction reports from their custodian, and quarterly portfolio evaluation reports from us. Our report shows the value of the account, security positions held, the percentage and dollar change from the cost of these positions, gains or losses taken during the year and the performance record for the account while under the management of Prentiss Smith and Company, Inc. In addition to the reports, the client receives trade confirmations from the executing broker. Our quarterly reports to clients also state the advisory fee the client paid to us, custodial fee paid to the custodian, dividends and interest received, deposits and withdrawals made and accrued interest that has accumulated on bond positions.

**Item 14: Client Referrals**

Prentiss Smith and Company does not compensate any person for client referrals. Certain employees may be compensated based on client assets.

**Item 15: Custody**

Although we do not have physical custody of client funds, we debit management fees from the account. All of our clients' custodians provide a monthly statement directly to the clients as well as providing us with one. We reconcile our system to the custodians' statements monthly, noting, researching and correcting any discrepancies. Additionally, we provide a quarterly statement to the clients and we strongly urge our clients to compare the two separate statements that they receive.

**Item 16: Investment Discretion**

Prentiss Smith and Company exercises full discretion over the buying and selling of clients' assets in a manner consistent with the stated investment objectives for the particular clients for which it advises. Clients must sign a Discretionary Trading Authorization when they enter into a management relationship with us. In certain instances clients may place restrictions on specific securities in their account as well as prohibiting the purchase of securities within a certain industry or asset class. These limitations may have an adverse effect on how the performance of the applicable security affects the performance of the account.

**Item 17: Voting Client Securities**

In addition to investment management of our clients' assets, Advisor votes all proxy ballots for corporate actions, reorganizations and resolutions for those clients that have delegated this authority to us. A copy of our policies and procedures relating to proxy voting is available upon request. A client may also request information as to how we have voted with respect to their securities by contacting us directly.

**Item 18: Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about [Prentiss Smith and Company's](#) financial condition. Adviser has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.