

# KERSHNER, GROSSO & CO.

## Part 2A of Form ADV Firm Brochure

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*This Brochure provides information about the qualifications and business practices of Kershner, Grosso & Co. If you have any questions about the contents of this brochure, please contact Christopher Grosso, or Thomas Kershner, or Timothy Fontaine at 518-584-2600. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority. Additional information about Kershner, Grosso & Co. also is available on the SEC's Investment Adviser Public Disclosure website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).*

*Where a reference is made to being a "registered investment adviser" throughout this document, the term "registered" does not imply a certain level of skill or training. "Registered" means that the company has filed the necessary documentation to maintain registration as an investment advisor with the Securities and Exchange Commission.*

## **MATERIAL CHANGES**

Kershner, Grosso & Co. (hereinafter "Kershner Grosso") is required to disclose all material changes to its brochure since its prior update. The previous version of this brochure was last updated on February 1, 2019. Since the last filing the following changes are being reported:

1. Timothy P Fontaine. CFP, joined the firm in September 2019 as a Client Relationship Manager.
2. Charles Schwab & Co., custodian for all our client accounts, eliminated commission charges on equity trades for all our client accounts.

# Table of Contents

MATERIAL CHANGES.....	2
ADVISORY BUSINESS.....	4
Investment Management Services.....	4
Retirement Plan Services.....	6
Trustee Services.....	7
FEEES AND COMPENSATION.....	7
Investment Management Services.....	7
Retirement Plan Services.....	8
Trustee Services.....	8
PERFORMANCE-BASED AND SIDE-BY-SIDE MANAGEMENT.....	9
TYPES OF CLIENTS.....	9
METHODS OF ANALYSIS, INVESTMENT STRATEGIES, AND RISK OF LOSS.....	9
Methods of Analysis.....	9
Investment Strategies.....	10
Special Situations.....	11
Retirement 401-K Plan Investment Strategies.....	12
Risk of Loss - Investment Management Services.....	13
Risk of Loss - Retirement Plan Services.....	13
DISCIPLINARY INFORMATION.....	14
OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS.....	14
Receipt of Insurance Commissions.....	14
Economic Modeling Projects.....	14
CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS.....	14
AND PERSONAL TRADING.....	14
Potential Conflict of Interest.....	15
BROKERAGE PRACTICES.....	15
Order Placing for Client Accounts.....	18
Software and Support Provided by Charles Schwab.....	19
REVIEW OF ACCOUNTS.....	19
Investment Management Services.....	19
Retirement Plan Services.....	20
CLIENT REFERRALS AND OTHER COMPENSATION.....	20
CUSTODY.....	21
INVESTMENT DISCRETION.....	21
VOTING CLIENT SECURITIES.....	21
FINANCIAL INFORMATION.....	22

## **ADVISORY BUSINESS**

Kershner Grosso & Co. (hereinafter referred to as "Kershner Grosso") is a registered investment advisor with the United States Securities and Exchange Commission. Kershner Grosso has been in business since 1979 and is wholly owned by Thomas Kershner, Ph.D., and Christopher Grosso.

### ***Investment Management Services***

Kershner Grosso furnishes investment management services to clients, including individuals, trusts, corporations, and other business entities. Thomas Kershner, Ph.D., Christopher Grosso, and/or Kershner Grosso, also serve as a trustee or co-trustee for a number of clients.

The term "investment management services" is defined as providing portfolio management services to clients with respect to the investment of assets in a client's account. We provide such services on a discretionary basis (i.e., Kershner Grosso makes specific investment decisions for a client without first obtaining the client's approval), although we may consider a non-discretionary arrangement under certain circumstances.

Investment supervisory services begin with Kershner Grosso working with each new client to identify the client's investment objectives and their tolerance for risk. We then develop an investment plan for their account(s) and we manage the client's assets in a manner consistent with the client's investment objectives.

Kershner Grosso has discretionary authority for each account we manage. We make all investment decisions for the account. Our firm, without prior consultation with the client, will buy, sell, and otherwise trade in stocks, bonds, other securities and other financial instruments, subject to the investment guidelines and/or instructions that have been established for each client's account.

Investment advice and portfolio decisions are based primarily upon the judgment and experience of Kershner Grosso's principals after analyzing all available information deemed relevant. Clients assume the risk that their investment returns may be negative or less than the rates of return of other investment advisors, market indices, or investment products.

Our guiding principles include:

**1. We own what our clients own**

The officers of Kershner Grosso and their families have all of their monies invested at Kershner Grosso. We own, in our personal and retirement accounts, many of the same securities we own for our clients in their portfolios.

**2. We are long-term investors, not speculators**

We are continually seeking to maximize our clients' after-tax returns, which we can do much more effectively and efficiently with individual stocks and bonds than can be done by short-term trading or by owning mutual funds.

**3. We operate under a strict fiduciary standard**

We are paid only management fees by our clients, and our interests are identical to our clients' interests. We don't receive any commissions, rebates, referral fees, or other payments from mutual funds, insurance companies, or from any other third-party firm.

**4. We minimize our clients' fees**

The annual fees our clients pay are typically considerably lower than the annual fees, commissions, and trading costs charged by many stockbrokers or other financial advisors who buy and sell mutual funds for their clients' portfolios.

A client's investment plan is designed according to the specific needs, objectives, and tolerance for risk of that client. During the initial consultations, the client and Kershner Grosso discuss the client's needs, including desired goals and risk tolerance. Plans may involve consultation with other professionals, including attorneys and accountants. The development of the investment plan for each client is ongoing in nature.

Kershner Grosso will not act as custodian for any client accounts. Rather, a qualified custodian will be appointed to maintain possession of the assets of the account, to buy and sell securities in the account, to settle transactions for the account, and to accept instructions from Kershner Grosso regarding assets in the account, subject to certain procedural restrictions. In addition, the custodian will notify both the client and Kershner Grosso of any additions or withdrawals for the account.

Advisory agreements will continue until terminated by either Kershner Grosso or the client. Termination requires written notice from one party to the other. In the event of termination, the client will be reimbursed any management fees due, on a pro-rata basis, and Kershner Grosso will receive payment of any accrued fees as described below. Termination by the client will not affect transactions our firm has initiated on the client's behalf prior to the effective date of the termination.

### ***Retirement Plan Services***

Kershner Grosso's retirement plan services provide retirement plan design, education services and investment selection, and monitoring. We are defined as an ERISA Section 3(38) investment manager. As a 3(38) manager, Kershner Grosso assumes the fiduciary responsibility from the plan sponsor to manage the plan assets and acts as the sole decision maker with respect to the selection and monitoring of the investments offered under the plan. Plan sponsors are thus relieved of their responsibilities regarding the selection and monitoring of individual investments, but retain the responsibility to perform due diligence on Kershner Grosso. A 3(38) fiduciary designation is limited to banks, insurance companies, and registered investment advisors like Kershner, Grosso & Co. that are subject to the Investment Advisors Act of 1940.

Kershner Grosso may provide one or more of the following services:

- Assisting plan sponsors in developing a customized retirement and investment plan to fit the needs of individual plan participants.
- Investment selection, ongoing monitoring, and performance reviews.
- Planning and coordination for plan transfer and/or conversion.
- Assist human resource staff and third party administrators with items regarding plan administration.
- Individual employee meetings, retirement planning, investment advice, and distribution consultation.

- Group education and enrollment meetings.
- Assistance with plan administrative tasks such as loan, distribution, and rollover processing.
- General information on legislative, Department of Labor, and Internal Revenue Service matters relating to qualified plans.
- Draft the plan investment policy statement.

### ***Trustee Services***

Dr. Thomas R. Kershner, Christopher Grosso, and/or Kershner Grosso provide trustee services to a number of our clients. We have 25 years of experience with respect to serving as a court-appointed trustee and/or guardian, administering trusts, and managing the proceeds of those trusts on behalf of our clients. In addition to our work as a trustee, we work with family members to manage the proceeds of trusts for a number of other persons for whom we do not serve as trustee.

## **FEES AND COMPENSATION**

### ***Investment Management Services***

Advisory fees for private accounts are based on a percentage of assets under management. Kershner Grosso's maximum fee schedule for investment advisory services is:

	<u>Quarterly</u>	<u>Annualized</u>
a) First \$1,000,000:	.0025	.01
b) Between \$1,000,000 and \$5,000,000:	.001875	.0075
c) Over \$5,000,000:	.00150	.006

The advisory fees, which are generally paid quarterly, in advance, are determined by multiplying the fair market value of the client's assets under management at the end of the quarter by the applicable quarterly advisory fee rate. These fees are deducted directly from the client's assets. Kershner Grosso may, solely at its discretion, waive or reduce fees for individual accounts. Advisory fees exclude brokerage commissions, custodial costs, taxes, and other costs incidental to the purchase and sale of securities.

For the initial period of investment management services, the fees are calculated on a pro rata basis. If assets are deposited into or withdrawn from an account after the beginning of a quarter, the fee payable with respect to such assets will be adjusted, and prorated, based on the number of days remaining in the quarter.

Clients can terminate their relationship with Kershner Grosso at any time. A terminated client is rebated the pro-rata portion of their last paid management fee if the advisory contract is terminated before the end of the billing period. Kershner Grosso will rebate the management fee from the date it receives its termination notice to the end of the current billing quarter.

### ***Retirement Plan Services***

Kershner Grosso does not have a set management fee schedule for its retirement plan services; however, annual fees do not exceed 1% of plan assets. Kershner Grosso's annual fee is prorated and charged quarterly, in advance, based upon the market value of the assets being managed by Kershner Grosso on the last day of the previous quarter.

Retirement plan clients can terminate their Agreement with Kershner Grosso at any time upon written notice. Kershner Grosso will refund any management fees paid in advance from the date it receives or sends the termination of services notice through the end of the current billing period.

### ***Trustee Services***

Thomas Kershner, Ph.D., Christopher Grosso, and/or Kershner Grosso serve as both trustee and co-trustee and as the investment advisor for a number of clients. In those circumstances, Kershner Grosso generally bills its standard investment management fees, pursuant to its published fee schedule, for its investment services, and it may also bill trustee fees pursuant to the customary statutory trustees' fees set by law.

In addition, individual trusts may be subject to additional fees for outside professional services. Kershner Grosso receives no part of any of those fees. For example, the trust will employ accountants to prepare Federal and State tax returns, and, where required, Annual Accounting Reports to the Court System. The trusts are required to pay Federal and State taxes, as appropriate, along with the accounting preparation fees. The SEC requires that a "surprise" audit for certain trusts be prepared each year by a qualified accounting firm that is different from the accounting firm that prepares the Federal and State taxes and Annual Accountings. The "surprise" audit accounting firm bills each trust equally for its "surprise" audit of the trusts.

Kershner Grosso may, at its discretion, waive or reduce its trustee fees for individual accounts.



## **PERFORMANCE-BASED AND SIDE-BY-SIDE MANAGEMENT**

Kershner Grosso does not charge any performance-based fees.

## **TYPES OF CLIENTS**

Kershner Grosso generally provides investment advice to the following types of client:

- Individuals
- High-Net-Worth Individuals
- Trusts, Estates, Foundations, and Charitable Organizations
- Corporations
- Non-Profit Institutions
- Pension, Profit Sharing Plans, 401(k) Plans, and Other Qualified Retirement Plan
- Other Business Entities

The minimum initial investment for separate account clients is \$500,000. The minimum investment amounts may be modified or waived by Kershner Grosso at its sole discretion.

## **METHODS OF ANALYSIS, INVESTMENT STRATEGIES, AND RISK OF LOSS**

### ***Methods of Analysis***

Kershner Grosso employs an investment process centered on fundamental research and analysis. Fundamental analysis can be considered in both macro ("top down") and micro ("bottom up") contexts. Macro analysis includes, but is not limited to, a review of major economic activity, including reports on the labor market, interest rates, inflation, commodity prices, currency data, and central bank policies. Micro analysis, primarily undertaken at the level of an industry or individual security, considers current and expected conditions in such variables as sales, earnings, business strategies, credit spreads, and debt coverage. In both macro and micro analysis, we review the level of asset prices, and form judgments as to their worth, both in an absolute, as well as a relative, context.

## *Investment Strategies*

For equity accounts, we emphasize investments in companies with consistent and predictable past and projected growth in earnings and cash flow. We believe that growing earnings ultimately propels stock prices higher. Our equity selections are primarily based upon a company's current price/earnings ratio relative to its current and expected growth rate in revenues and earnings. We are not market timers, and economically sensitive stocks are generally not considered potential candidates for our clients' accounts. We primarily focus on the common stock of large corporations where our research reveals the potential for excellent capital appreciation.

In addition to equities, many of our clients' portfolios historically may, from time to time, contain significant holdings of U.S. Treasuries, municipal bonds, high-grade corporate fixed income obligations, preferred stocks from highly rated issuers and publicly traded master limited partnerships. In terms of maturities on the bond portion of our clients' accounts, the mix of short-term vs. long-term highly-rated debt instruments will vary over time, depending upon our assessment of present and future market yields, the interest rate yield curve, and the expected rates of return for each respective instrument. A portfolio's composition between tax-free municipals and taxable bonds at any given time will reflect the client's income tax bracket and the need to minimize income tax liabilities.

We employ reasonable diversification to balance risk. This is accomplished by having portfolios invested in a cross-section of securities, which we follow carefully, rather than constructing a portfolio based upon a broad range of industries. We tend to take more concentrated positions in situations that appear particularly promising. Overall, we try to avoid diluting our effects by owning too many issues relative to the total account. We do not maintain high turnover of portfolios, nor are our equity purchases based upon faddish concepts in the marketplace.

The asset classes that we recommend be considered in Kershner Grosso portfolios are as follows:

- 1. High quality large-cap & mid-cap growth stocks**

These securities offer potential capital appreciation. These stocks, as a group, typically do not pay significant dividends.

**2. Conservatively-focused stocks that pay attractive dividends**

These stocks typically pay dividends of 2% to 4% a year, or more, and they can have some capital appreciation potential.

**3. Fixed income obligations**

These securities are broadly composed of U.S. Treasury, Corporate, and Municipal debt obligations along with bank Certificates of Deposits (CD's) and Preferred Stock from highly rated issuers.

**4. Publicly-traded master limited partnerships (MLPs)**

These securities offer attractive annual distribution yields as well as some capital appreciation possibilities. The payouts on many of these publicly traded partnerships are presently between 5% to 7.5%. These investments are strongly tax-preferenced, too, and that provides a further benefit in taxable accounts.

**5. Small capitalization growth stocks**

These securities are generally growing their sales and earnings rapidly and usually do not pay dividends. They are only suitable for certain accounts.

**6. Money-market funds**

As needed.

***Special Situations***

Kershner Grosso also periodically identifies special situations, often recently established micro-cap growth stocks where our in-depth research, including meetings with management, visits to company facilities, interviews with suppliers and product purchasers, and continued contact with company executives, may uncover the potential for attractive long-term capital gains. These companies, though potentially promising, can be risky and unusually volatile. (We recognize that our special situations will not be suitable for many of our clients' risk profiles.)

These special situations securities may also have restrictions that limit or prohibit the sale of the security for a pre-determined period of time. The purchase of such securities generally involves private placements into these publicly traded micro-cap securities, and these are organized, in whole or in part, by Kershner Grosso. Any restrictions on the subsequent sale of such securities are fully disclosed to account holders prior to the initial purchase of positions in the restricted securities for their account.

We note that purchases of restricted micro-cap securities generally contain a very high degree of risk and illiquidity and that they may not be suitable for the investment objectives of many Kershner Grosso clients.

### ***Retirement 401-K Plan Investment Strategies***

Kershner Grosso conducts consultation meetings with each prospective client. During the meetings, we establish the client's needs in areas such as plan design, administration, and investments. This discussion and consultation will serve as the basis for an in-depth process aimed at launching a full range of retirement plan services for the client.

Kershner Grosso provides 401-K retirement plan participants the following three broad investment platforms that they can choose from for their plan assets:

1. 401-K plan participants can choose from a list of selected and monitored mutual funds. Kershner Grosso selects for each plan approximately 20 mutual funds. The mutual funds are selected from a very broad universe of thousands of "no load" or "load" waived funds. Included on the list of selected funds will be domestic and international common stock funds and a variety of fixed income funds. Kershner Grosso regularly monitors and changes the list of funds, as needed, with the principal factor in such selections or changes being performance, after fees and expenses.

2. Kershner Grosso designs Aggressive, Moderate and Conservative Asset Allocation Model portfolios from the list of selected mutual funds. Plan participants choose from the Asset Allocations Models. Each model portfolio is formulated around risk tolerance, time horizon, and a number of other factors. Kershner Grosso monitors, manages, and rebalances the model portfolios according to the goals of each model, and not according to the individual needs of plan participants.

3. Where Charles Schwab is the custodian of the plan assets, participants have the option of selecting a Personal Choice Retirement Account (PCRA). PCRA's hold individual investment securities (individual common stock, bonds, etc.) as opposed to mutual funds. PCRA's are maintained as Schwab brokerage accounts within the 401K plan. Kershner Grosso manages PCRA accounts using the aforementioned methods of research and analysis. PCRA accounts are much more actively managed accounts with the investments custom tailored to the individual needs of the plan participant.

### ***Risk of Loss - Investment Management Services***

The market value of a security may decline due to general market conditions that are not specifically related to a particular company, such as adverse economic conditions, changes in the outlook for corporate earnings, international events, and adverse investor sentiment. A security's market value may also decline because of factors that affect a particular sector or industry. When utilizing fundamental analysis, the overall health and position of a company may be positive; however, conditions in the industry or in the U.S. economy can negatively impact the price of the security. Investing in any securities involves the risk of loss.

With respect to our fundamental economic and security analysis, it is possible that we could err materially in assessing the attractiveness of an asset, or the overall thrust of an investment strategy, resulting in loss for an investor.

When investing in fixed income, there are many risks to be considered, including, but not limited to, interest rate risk, inflation risk, credit risk, principal risk, duration risk, and reinvestment risk.

### ***Risk of Loss - Retirement Plan Services***

Many of Kershner Grosso's retirement plan clients will own mutual funds. In addition to risk of loss from general market volatility, mutual funds have their own set of risks. Kershner Grosso's selection of certain mutual funds is based largely upon historical performance. Historical performance is not an indicator and cannot predict future performance. As a result, relying on the historical performance to make decisions is imperfect and can result in loss.

Mutual funds have other material risks. Material risks include annual fees and other expenses that impair fund performance. Lack of control over the fund is also a risk that investors encounter. Investors and advisors typically cannot ascertain the exact make-up of a fund's portfolio at any given time, nor can they directly influence which securities the fund manager buys and sells, or the timing of those trades. Another risk is price uncertainty. Mutual fund investors face this risk when the prices at which shares are purchased and sold are based on the fund's net asset values, which may not be calculated until hours after the transaction has already been processed. Clients should refer to the fund's prospectus and shareholder reports to learn about its investment strategy and potential risks.

## **DISCIPLINARY INFORMATION**

Kershner Grosso is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management. Kershner Grosso has never had any reportable disciplinary events.

## **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

### ***Life Insurance***

Timothy Fontaine has a license to sell life insurance. That said, Kershner Grosso and its principals have not sold life insurance policies in over 15 years.

## **CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

Kershner Grosso enforces rules of conduct for all their employees under a Code of Ethics. The Code of Ethics is designed to, among other things, govern personal securities trading activities in the accounts of our employees, immediate family/household accounts, and accounts in which an employee has a beneficial interest. Our Code of Ethics is based upon the principle that Kershner Grosso and its employees owe a fiduciary duty to Kershner Grosso's clients to conduct their affairs, including their personal securities transactions, in such a manner as to avoid:

- A. serving their own personal interests ahead of clients,
- B. taking inappropriate advantage of their position with the firm, and
- C. any actual or potential conflicts of interest, or any abuse of their position on trust and responsibility.

The Code is designed to ensure that the high ethical standards long maintained by Kershner Grosso continue to be applied. The purpose of the Code is to preclude activities which may lead to or give the appearance of conflicts of interest, insider trading and other forms of prohibited or unethical business conduct.

The principals and employees of Kershner Grosso invest in the same securities that we purchase for our clients. We feel that it is an important tenet of Kershner Grosso that the principals have all their money at Kershner Grosso, invested in many of the same securities we own for our clients. We strive to ensure that our personal investment transactions will not be executed at a more favorable price than our clients' transactions.

A copy of Kershner Grosso's Code of Ethics will be presented to any client or prospective client upon request.

### ***Potential Conflict of Interest***

Christopher Grosso presently serves on the Board of Directors of the publicly traded company, International Isotopes. Kershner Grosso has invested monies in International Isotopes for Thomas Kershner and Christopher Grosso, as well as for a number of our clients.

## **BROKERAGE PRACTICES**

Kershner Grosso's objective is to obtain the lowest commission rates, if any, in conjunction with the highest level of service and best execution for our clients.

We recommend that all our clients use Charles Schwab & Co., Inc. ("Schwab"), a FINRA-registered broker-dealer, member SIPC, as their qualified custodian and broker. Our firm is independently owned and operated, and we are not affiliated with Schwab in any way. Schwab holds client assets in individual brokerage accounts and it buys and sells securities for client accounts when Kershner Grosso instructs them to do so. While Kershner Grosso recommends that clients use Schwab as their custodian/broker, we emphasize that choosing otherwise is at each client's discretion.

We recommend Schwab as a custodian/broker to hold client assets and execute transactions as we believe their services are most advantageous overall when compared to other available providers and their services. We consider the following wide range of factors, among others, in selecting a custodian:

- The combination of transaction execution services along with asset custody services.
- Capability to execute, clear, and settle trades.
- Capability to facilitate transfers and payments to and from accounts (wire transfer, check requests, bill payment, etc.).

- Breadth of investment products made available (stocks, bonds, mutual funds, exchange traded funds (ETF's), etc.).
- Availability of tools that assist us in managing our clients' accounts.
- Quality of trading, retirement planning, and legal services.
- Competitiveness of the price of those services (commission rates if any, margin interest rates, other fees, etc.), and willingness to negotiate them.
- Reputation, financial strength, and stability.
- Their prior service to us and our clients.

If a client directs Kershner Grosso to maintain the client's account at, and to effect transactions through, a different custodian/broker, we will do so. We note, however, such an instruction may have negative implications to the client. Specifically, a client's account may incur transaction costs and commissions which may be higher than at Schwab.

In 2019, Schwab eliminated all commission charges for buying and selling equities, which provides a significant financial benefit to our clients. Some fixed income and mutual fund investments may continue to be subject to trading commissions. The commissions, if any, paid by Kershner Grosso's clients comply with Kershner Grosso's duty to obtain "best execution." 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 Financial Institution's services, including among others, the value of services provided to clients, execution capability, commission rates, and responsiveness. Kershner Grosso periodically and systematically reviews its policies and procedures regarding its recommendation of Schwab in light of its duty to obtain best execution.

For the investment services of our clients' accounts, Schwab does not charge separately for custody services. Kershner Grosso's retirement plan clients will be billed a small custody charge for plan assets that are held in mutual funds. Generally, plan assets held in PCRA accounts do not have a custody charge.



Schwab Advisor Services is Schwab's business division serving independent investment advisory firms like Kershner Grosso. They provide us and our clients with access to its institutional brokerage -- trading, custody, reporting and related services -- many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients' accounts, while others help us manage and grow our business.

Kershner Grosso and its custodian, Charles Schwab, request certain information from clients before opening an account. Kershner Grosso and/or Schwab may request the following information from clients:

- Name
- Address, Telephone Number, and Email Address
- Date of Birth
- Social Security Number or Tax ID number
- Occupation and Employer
- Net Worth and Annual Income
- Trust and Estate Documents
- Long-term care, life and disability insurance policies
- Financial goals
- Other financial documents
- Corporate Resolution, List of Authorized Signers and Organizational Documents or Business License

In the past 20 years, including 2019, we received no economic benefit from Schwab as a custodian for holding all our accounts there or for referring new accounts to Schwab.

### *Order Placing for Client Accounts*

Kershner Grosso, from time to time, identifies a security that it deems desirable and appropriate to purchase or sell for multiple client accounts. With each transaction, Kershner Grosso first determines how it is operationally and economically most efficient to affect the trade. This can depend on a number of factors, including, but not limited to whether the trade is a buy or a sell, the daily liquidity and volume of the security, and market conditions on that day.

Fixed income securities are almost always purchased and sold on an individual account basis.

When selling a large capitalization common stock, Kershner Grosso's current practice is to review and, in effect, to identify the accounts of each and all of the clients for whom the sale of the security would be appropriate. After completing that review, Kershner Grosso determines the number of shares it will sell for each client account. Kershner Grosso then enters orders to sell the total number of shares of the security it has determined it will sell for its client base. In effect, Kershner Grosso batches orders for the aggregate number of shares it is selling for multiple clients on a given day. At the end of the trade's execution, Kershner Grosso allocates the appropriate number of sold shares to each respective account so that each client's per-share cost or sale price is identical.

When purchasing a large capitalization common stock, Kershner Grosso generally effects each client transaction independently. The reason buys tend to be independent is that each account has different cash levels and often we have to sell part of another position to raise the cash to accommodate the new position. When purchasing independently, we start alphabetically by client's last name. We randomly reverse the order.

Transactions in our special situations or smaller illiquid companies are handled on a case by case basis using our best judgment on what we believe would be in the best interest of the client.

### ***Software and Support Provided by Charles Schwab***

Kershner Grosso receives the following services from Schwab, through the Schwab Advisor Services Group:

- Receipt of duplicate client confirmations and bundled duplicate statements
- Access to a trading desk that exclusively services advisers such as Kershner Grosso
- Access to batch trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts
- Access to an electronic communication network for client order entry and account information

### **REVIEW OF ACCOUNTS**

#### ***Investment Management Services***

Thomas Kershner, Christopher Grosso, and Timothy Fontaine review and monitor our client holdings on a daily basis each day the market is open. Accounts are reviewed regularly to verify that holdings are appropriate for client objectives and that the accounts conform to the proper allocations, among other factors. Individual review meetings with clients are set by appointment, by telephone, and by mail or electronic mail. Frequency of review meetings are at the discretion of the client and of Kershner Grosso. Volatile markets and other market conditions, such as security or sector performance, may trigger additional reviews of client accounts and investment plans. Changes in client objectives, financial standing, or constraints may also trigger additional reviews. Clients can also request additional consultation and review at any time.

All investment advisory clients are encouraged to discuss their needs, goals, and objectives with Kershner Grosso and to keep Kershner Grosso informed of any changes thereto. Clients are provided with transaction confirmation notices and monthly summary account statements directly from Charles Schwab for the client accounts. Monthly statements of accounts are provided by the account custodian to each client in the form of a list of all holdings in the portfolio. The account valuations for each holding in the client's portfolio are provided by the account custodian at the closing price set by the relevant trading market for each holding at the end of each month.

### ***Retirement Plan Services***

Kershner Grosso monitors the performance of the selected mutual fund investment options and Kershner Grosso Asset Allocation Models on a regular basis or as market conditions require. Kershner Grosso recommends semi-annual or annual review meetings for plan sponsors. These meetings allow Kershner Grosso to determine if there are material changes in the overall retirement planning needs of the client. In addition, plan investment offerings will be reviewed for suitability and adequate performance. Frequency of review meetings is at the discretion of the client.

Volatile markets and other market conditions, such as security or sector performance, may trigger more frequent reviews of investment options and Kershner Grosso Asset Allocation Models.

Plan sponsor and plan participants receive a monthly or quarterly account statements directly from the custodian, record keeper, or Mutual Fund Company. Clients can request more specific reports. Custodians and plan providers offer electronic account access to plan participants and plan sponsors.

### **CLIENT REFERRALS AND OTHER COMPENSATION**

Kershner Grosso is required to disclose any relationship or arrangement where it receives an economic benefit from a third party (non-client) for providing advisory services. Kershner Grosso receives no such benefits.

In addition, Kershner Grosso is required to disclose any direct or indirect compensation that it provides for client referrals. Kershner Grosso presently has no active referral agreements. We may, from time to time, enter into agreements with third parties pursuant to which the third party may solicit investment advisory clients on behalf of the Advisor. For those solicitation services, Kershner Grosso may pay the third party a portion of the investment advisory fees earned by the firm from the investment advisory clients solicited by the third party.

Referred clients will not be charged any additional amount for the cost of obtaining the account, if any, other than in addition to the regular fees charged by Kershner Grosso for advisory services. In addition, a referred client will not be charged an amount in excess of Kershner Grosso's standard advisory rates solely because of the referral arrangement.

### **CUSTODY**

In the instances where Dr. Thomas Kershner, Christopher Grosso, and/or Kershner Grosso & Co. serve as Trustee or Co-trustee for a client, we are deemed to have custody of client assets. We are also deemed to have custody of client assets as our clients authorize us to have Schwab deduct our standard investment management fee directly from their Schwab accounts. Our custodian, Charles Schwab, maintains the physical custody of all publicly traded client securities and funds. Schwab notifies every client of the amount and date our management fees are billed. Likewise, the fee withdrawal is also reflected on each client's monthly statement.

### **INVESTMENT DISCRETION**

Through its retainer agreement and the Charles Schwab new account forms Kershner Grosso is given the authority to exercise its investment discretion on behalf of clients. Kershner Grosso is considered to exercise investment discretion over a client's account if it can effect transactions for the client without first having to seek the client's consent. Kershner Grosso is subject to the client's investment restrictions, if any. Subject to those restrictions, Kershner Grosso uses its discretion when selecting securities for client accounts, including: determining which securities to purchase or sell, the timing as to when to purchase or sell securities, the amount of securities to purchase or sell, and the transaction price.

### **VOTING CLIENT SECURITIES**

Kershner Grosso does not vote its client securities. Clients will receive their proxies or other solicitations directly from their custodian. Clients can request the opinion of Kershner Grosso as it relates to a particular solicitation. Kershner Grosso will provide an independent unbiased opinion that is in our perceived best interest of the client. Kershner Grosso will not offer an opinion if a conflict of interest is identified.

## **FINANCIAL INFORMATION**

Kershner Grosso does not require or solicit the prepayment of fees more than three months in advance. In addition, Kershner Grosso is required to disclose any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. Kershner Grosso has no disclosures pursuant to this item. We have never been the subject of any bankruptcy petition.