

# Capital Cities, L.L.C.

426 East New York Street  
Indianapolis, IN 46202

**Telephone: 317-475-4500**  
**Facsimile: 317-475-4505**

[www.capcities.com](http://www.capcities.com)

March 3, 2020

## **FORM ADV PART 2A BROCHURE**

This brochure provides information about the qualifications and business practices of Capital Cities, L.L.C. If you have any questions about the contents of this brochure, please contact us at 317-475-4500. 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 Capital Cities, L.L.C. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Capital Cities, L.L.C. is 122916.

Capital Cities, L.L.C. is a registered investment adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

## Item 2 Material Changes

Form ADV Part 2 requires registered investment advisers to amend their brochure when information becomes materially inaccurate. If there are any material changes to an adviser's disclosure brochure, the adviser is required to notify you and provide you with a description of the material changes.

Since the filing of our last annual updating amendment, dated March 6, 2019 we have no material changes to report.

## Item 3 Table Of Contents

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

## Item 4 Advisory Business

### Description of Services and Fees

Capital Cities, L.L.C. is a registered investment adviser based in Indianapolis, Indiana. We are organized as a limited liability company under the laws of the State of Indiana. We have been providing investment advisory services since 1998. William Mauger and Joe Bill Wiley are the principal owners of the firm.

The following paragraphs describe our services and fees. Refer to the description of each investment advisory service listed below for information on how we tailor our advisory services to our clients' needs. As used in this brochure, the words "we," "our," and "us" refer to Capital Cities LLC, and the words "you," "your," "plan," and "client" refer to you as either a client or prospective client of our firm. Additionally, you may see the term Associated Person throughout this brochure. As used in this brochure, our Associated Persons are our firm's officers, employees, and all individuals providing investment advice on behalf of our firm.

We offer personalized investment advisory services to pension and profit sharing plans, 401K plans, charitable endowment organizations, trusts, and municipalities, among other institutional investors.

### Consulting and Management Services

We offer a broad range of services regarding retirement and endowment plans. In general, we utilize a five-step investment management process.

1. **Review of Current Program** - We will complete a study analyzing the plan current position. The analysis will include an evaluation of current position(s) and recommendations of actions to be taken and a timeline for these actions to be completed.
2. **Asset Allocation Modeling** - We will assist in the preparation of asset allocation modeling. This includes; (i) development of investment policy guidelines, (ii) evaluation and development of asset allocation strategy and spending policy coordination, (iii) suggestions of alternative money manager structures, if appropriate, and (iv) identification of appropriate performance benchmarks.
3. **Initial Investment Policies and Procedures** - We will assist in the preparation of a written investment policy statement that includes; (i) duties of the investment committee, board, staff, custodian, and consultants, (ii) investment objectives, (iii) investment guidelines, (iv) procedures for selection of investment managers and other vendors, and (v) benchmarks and procedures for monitoring investment performance.
4. **Investment Manager and Custodian Search** - We will assist in selecting money managers and, if necessary, a custodian for the plan. We will present the board and/or investment committee with a list of managers that fit the plan specifications and needs.
5. **Retainer Services** - We can be retained to provide ongoing services including annual review of the investment policy statement, searches for additional or replacement managers if needed, and preparation of quarterly investment performance measurement reports, and presentation of reports at quarterly investment committee meetings.

To effectively provide institutional consulting services, we are a member of the Independent Adviser Group (IAG), a division of Callan Associates Inc. ("Callan"). Callan is counted as one of the three largest investment-consulting firms in the country, and it specializes in asset allocation technology, performance measurement, and investment manager evaluation.

Through IAG, we gain access to key institutional support services such as:

- Asset simulation software used in the development of the client's strategic investment policy. The software takes into account the client's risk tolerances, asset class preferences, investment time horizon, and return expectations.
- A separate account management program that gives IAG member firms the ability to offer their clients the services of nationally recognized money managers. Callan continually screens its database of over 3,600 managers to identify those appropriate for the program. A matrix of managers representing major asset classes and styles is available from which clients can select the money managers, that they, in consultation with their IAG adviser, feel will be best qualified for the client's specific objectives. Managers in the matrix are generally available at lower account size minimum and fees. Callan will continually monitor each of the money managers in the matrix to ensure that the manager adheres to stated investment policies and strategies and meets Callan's high standards of quality service. Typically, Callan will not offer any investment management services, manage the managers, or offer commingled funds. Moreover, the managers in the IAG matrix do not have any contractual arrangements with Callan.
- A mutual fund matrix that enables IAG member firms to assist in designing diversified portfolios for (1) clients with smaller accounts, (2) those who desire passive investment strategies employing indexed funds, and/or (3) those who want diversification into asset classes where separate account management is cost-prohibitive, e.g. international or global.
- Performance attribution reports that enable IAG member firms to offer clients the same level of performance evaluation reporting as provided to Callan's institutional clients. The reports detail the results of the client's composite portfolio, as well as the results of each money manager and mutual fund used by the client. Performance is compared against comparable portfolios and money managers of similar style and strategy.
- Capital markets and topical research reports to keep both the IAG member firm and client well informed. In addition, the IAG serves as an exchange of professional ideas between member firms.

### ***Other Services***

In limited circumstances, we may be engaged to monitor the account on a regular, but periodic basis. Subject to any written guidelines provided by the client, we will be granted discretion and authority to perform various functions, at the client's expense, without further approval from the client. Such functions include determining the securities and amount of securities to be purchased/sold for the purposes of periodically re-balancing the portfolio as changes in market conditions and client circumstances may require. In some cases, we may be granted discretionary authority to hire and fire managers and reallocate the client's assets to other funds, where such action is deemed to be in the best interest of the client. Additionally, we may enter into non-discretionary arrangements with clients, where we will obtain client approval prior to the execution of any trade.

In some cases, clients may wish to engage us on a per-project basis. For example, we might conduct a fiduciary review, fee analysis, manager evaluation, etc.

### ***Advisory Services to Retirement Plans***

As disclosed above, we offer various levels of advisory and consulting services to employee benefit plans ("Plan"). The services are designed to assist plan sponsors in meeting their management and fiduciary obligations to plan participants under the Employee Retirement Income Securities Act ("ERISA") to the extent the Plan is subject to ERISA. Pursuant to adopted regulations of the U.S. Department of Labor, we are required to provide the Plan's responsible plan fiduciary (the person who has the authority to engage us as an investment adviser to the Plan) with a written statement of the services we provide to the Plan, the compensation we receive for providing those services, and our status (which is described below).

The services we provide to your Plan are described above, and in the service agreement that you have previously signed. Our compensation for these services is described herein at Item 4 and Item 5, and also in the service agreement. We do not reasonably expect to receive any other compensation, direct or indirect, for the services we provide to the Plan, unless the plan sponsor directs us to deduct our fee from the plan or directs the plan record-keeper to issue payment for our fee out of the plan. If we receive any other compensation for such services, we will (i) offset the compensation against our stated fees, and (ii) we will promptly disclose the amount of such compensation, the services rendered for such compensation and the payer of such compensation to you.

In providing services to the Plan, our status is that of an investment adviser registered under the Investment Advisers Act of 1940, and we are not subject to any disqualifications under Section 411 of ERISA. In performing fiduciary services, we are acting as a fiduciary of the Plan as defined in Section 3(21) under ERISA, and, to the extent applicable, as a discretionary fiduciary of the Plan as defined in Section 3(38) under ERISA.

### **Fees**

Our fees vary for the services requested and the size of the account. Fees may range from 0.05% to 1.00% of the asset value per year and/or may be set as a fixed fee for a certain pre-determined period of time. Because of the extensive services we provide, it is expected that most clients will commit to a minimum three-year engagement. Fees are paid either quarterly in advance or quarterly in arrears, and are detailed in the Advisory Agreement executed by the client and Capital Cities, L.L.C.

Typically, fees for individual projects will be a negotiated one-time fee due upon completion of the relevant project. However, all fees and terms will be negotiated between the client and us in advance of services rendered.

### **Termination of Services**

Either party to the Advisory Agreement can terminate the Advisory Agreement upon 30 days' written notice. If applicable, any prepaid, unearned fees will be refunded to the client.

### **Types of Investments**

We offer advice on equity securities, warrants, corporate debt securities, commercial paper, certificates of deposit, municipal securities, investment company securities, US Government securities, and interest in partnerships investing in real estate, and oil and gas interests. We may advise you on other types of investments (i.e. hedge funds, other funds recommended by various fund managers, etc.) deemed appropriate based on your stated goals and objectives.

Additionally, we may advise you on any type of investment that we deem appropriate based on your stated goals and objectives. We may also provide advice on any type of investment held in your portfolio at the inception of our advisory relationship.

You may request that we refrain from investing in particular securities or certain types of securities. You must provide these restrictions to our firm in writing.

### **Assets Under Management\*\***

As of December 31, 2019, we manage \$95,887,277 in client assets on a discretionary basis. We do not provide continuous supervision of these assets; however, we periodically re-balance the accounts. We also advise on \$29,317,488,701 in client assets on a non-discretionary basis. This figure reflects the amount of assets for which we provide advice. We do not provide continuous supervision of these assets; however, we make periodic recommendations to the client or other plan fiduciaries.

\*\*These assets do not meet the SEC's definition of "regulatory" assets under management and are not reported as such on Form ADV Part 1. We are registered with the SEC, rather than state securities authorities, because we provide investment advice to employee benefit, governmental plans, or church plans with respect to assets having an aggregate value in excess of \$200,000,000.

## **Item 5 Fees and Compensation**

Refer to the *Advisory Business* section in this brochure for information on our advisory fees, fee payment arrangements, and refund policy according to each service we offer.

### **Additional Fees and Expenses**

As part of our investment advisory services to you, we may invest, or recommend that you invest, in mutual funds and exchange traded funds. The fees that you pay to our firm for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or exchange traded funds (described in each fund's prospectus) to their shareholders. These fees will generally include a management fee and other fund expenses. You will also incur transaction charges and/or brokerage fees when purchasing or selling securities. These charges and fees are typically imposed by the broker-dealer or custodian through whom your account transactions are executed. We do not share in any portion of the brokerage fees/transaction charges imposed by the broker-dealer or custodian. To fully understand the total cost you will incur, you should review all the fees charged by mutual funds, exchange traded funds, our firm, and others. For information on our brokerage practices, please refer to the "Brokerage Practices" section of this brochure.

### **Compensation for the Sale of Securities or Other Investment Products**

Neither our firm nor our Associated Persons are licensed to sell securities, insurance, or any other investment products. Therefore, they do not earn any additional compensation in the connection with investments made on behalf of your account(s).

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

We do not accept performance-based fees. Performance-based fees are fees that are based on a share of capital gains or capital appreciation of a client's account. Our fees are calculated as described in the *Advisory Business* section above, and are not charged based on a share of capital gains upon, or capital appreciation of, the funds in your advisory account.

Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. We do not participate in side-by-side management of your accounts with performance-based fee accounts.

## Item 7 Types of Clients

We offer investment advisory services to pension and profit sharing plans, 401K plans, charitable endowment organizations, trusts, and municipalities, among other institutional investors.

In general, we require you to have in access of \$5,000,000 to open and maintain an advisory account. At our discretion, we may waive this minimum account size.

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

### Our Methods of Analysis and Investment Strategies

No investment strategy or method of analysis can assure that any trade or investment will result in a profit. Furthermore, each client must understand that any trade or investment could result in a loss and that the value of any client portfolio could decline below the original investment.

Our investment strategies and advice may vary depending upon each client's specific financial situation and suitability.

Strategies may be based upon consideration of any of the following:

- Risk tolerance
- Current income needs
- Need for inflation protection
- Loss of principal tolerance
- Volatility of income
- Liquidity requirements
- Time Horizon
- Tax considerations
- Legal requirements
- Unique needs and considerations

Your restrictions and guidelines may affect the composition of your portfolio.

We may use one or more of the following methods of analysis or investment strategies when providing investment advice to you:

*Fundamental Analysis* - involves analyzing individual companies and their industry groups, such as a company's financial statements, details regarding the company's product line, the experience and expertise of the company's management, and the outlook for the company's industry. The resulting data are used to measure the intrinsic value of the company's stock compared to the current market value. Risks associated with fundamental analysis include that information obtained may be incorrect and the analysis may not provide an accurate estimate of earnings, which may be the basis for a stock's value. If securities prices adjust rapidly to new information, utilizing fundamental analysis may not result in favorable performance.

*Technical Analysis* - involves studying past price patterns and trends in the financial markets to predict the direction of both the overall market and specific stocks. The risk of market timing based on technical analysis is that charts may not accurately predict future price movements. Current prices of securities may reflect all information known about the security and day-to-day changes in market prices of securities may follow random patterns and may not be predictable with any reliable degree of accuracy.



*Long-Term Purchases* - securities purchased with the expectation that the value of those securities will grow over a relatively long period, generally greater than one year. Long-term purchases may be affected by unforeseen long-term changes in the company in which you are invested or in the overall market.

### **Tax Considerations**

Our strategies and investments may have unique and significant tax implications. However, unless we specifically agree otherwise, and in writing, tax efficiency is not our primary consideration in the management of your assets. Regardless of your account size or any other factors, we strongly recommend that you continuously consult with a tax professional prior to and throughout the investing of your assets.

Moreover, as a result of revised IRS regulations, custodians and broker-dealers will begin reporting the cost basis of equities acquired in client accounts on or after January 1, 2011. You are responsible for contacting your tax advisor to determine if this accounting method is the right choice for you. If your tax advisor believes another accounting method is more advantageous, please provide written notice to our firm immediately and we will alert your account custodian of your selected accounting method. Please note that decisions about cost basis accounting methods will need to be made before trades settle, as the cost basis method cannot be changed after settlement.

### **Risk of Loss**

Investing in securities involves risk of loss that you should be prepared to bear. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. We cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is in no way an indication of future performance.

As disclosed under the *Advisory Business* section in this brochure, we advise on various types of securities. We do not necessarily recommend one particular type of security over another, since each client has different needs and different tolerances for risk. Each type of security has its own unique set of associated risks. Risks can vary widely, even within the same type of securities. However, in very general terms, the higher the anticipated return of an investment, the higher the risk of loss associated with it.

We do recommend mutual funds and exchange traded funds. Mutual funds are professionally managed collective investment systems that pool money from many investors and invest in stocks, bonds, short-term money market instruments, other mutual funds, other securities, or any combination thereof. The fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. While mutual funds and exchange-traded funds generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market, primarily invests in small cap or speculative companies, uses leverage (i.e., borrows money) to a significant degree, or concentrates in a particular type of security (i.e., equities) rather than balancing the fund with different types of securities. The returns on mutual funds and exchange-traded funds can be reduced by the costs to manage the funds. In addition, while some mutual funds are "no load" and charge no fee to buy into, or sell out of, the fund, other types of mutual funds charge such fees, which can also reduce returns. Mutual funds can also be "closed end" or "open end." So-called "open end" mutual funds continue to allow in new investors indefinitely, which can dilute other investors' interests. We primarily recommend no-load funds.

Commingled Funds are mutual funds that include assets from several accounts pooled together, to reduce management and administration costs. These are sometimes called pooled funds. Investors in commingled fund investments benefit from economies of scale, which allow for lower trading costs per

dollar of investment, diversification, and professional money management. These funds are "commingled" to reduce the costs of managing them separately, but the main disadvantage of these funds is that capital gains are spread evenly among investors.

Collective Investment Trusts (CITs) are tax-exempt, pooled investment vehicles sponsored by a bank or trust company exclusively for qualified plans, including 401(k)s, as well as for certain types of government plans. Plan sponsors can offer participants trusts with a variety of investment objectives, including target date funds. For some trusts, independent money managers are hired to sub-advise these trusts in a manner that reflects the investment objective of the trust. For others, the trust's assets are invested in shares of mutual funds or exchange-traded funds (ETFs) in a manner that reflects the trust's investment objective. CITs' fees on average are 40 to 50 percent lower than actively management mutual funds. CITs are less likely to provide their pricing data in newspapers and on websites, although monthly investment returns and daily trust unit values are generally found on the participant website. Participants cannot roll over their CIT-balances when they leave the 401(k) because the trusts do not trade on open markets. Consequently, the participant must choose between leaving the assets with the previous employer (if permitted) or liquidating his or her CIT holdings and then rolling over the cash position to the new employer's plan or an IRA. Although CITs are not subject to the Investment Company Act of 1940 and are not registered, they are not unregulated. In the U.S., collective trusts are subject to banking regulations and are supervised by the Office of the Comptroller of the Currency (OCC), unlike mutual funds that are regulated by the SEC. The Pension Protection Act of 2006 approved CITs as default investment options for defined contribution plans.

We may recommend other types of investments as appropriate for you since each client has different needs and different tolerance for risk. Each type of security has its own unique set of risks associated with it and it would not be possible to list here all of the specific risks of every type of investment. Even within the same type of investment, risks can vary widely. However, in very general terms, the higher the anticipated return of an investment, the higher the risk of loss associated with it.

If a portion of your assets is managed by a third party money manager (TPMM), we will not determine the investments to be made for your account, but we will monitor the investments in the accounts managed by TPMMs and advise you on those holdings. If there is a significant deviation in characteristics or performance from the stated strategy and/or benchmark, we will alert you and recommend replacing TPMMs, as appropriate for your particular circumstances and objectives.

## **Item 9 Disciplinary Information**

Neither our firm nor any of our Associated Persons has any reportable disciplinary information.

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

### **Arrangements with Other Investment Advisers**

We are affiliated with Capital Cities Investments, Inc. through common control and ownership. Capital Cities Investments, Inc. is an SEC-registered investment adviser. Associated Persons of our firm are also registered as investment adviser representatives of Capital Cities Investments, Inc. Our advisory services are separate and distinct from the advisory services offered by Capital Cities Investments, Inc. Advisory fees paid to our firm are separate and distinct from fees paid to Capital Cities Investments, Inc. for their advisory services. Clients of our firm are not clients of Capital Cities Investments, Inc.

We are a member of the Independent Advisor Group (IAG). The IAG operates as a division of Callan Associates Inc., a registered investment advisor. The IAG provides us with access to services through non-affiliated third parties including, asset simulation software, and a matrix of mutual funds. We provide Capital Cities Investments, Inc. with access to resources made available to us through our affiliation with the IAG.

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

### **Description of Our Code of Ethics**

We strive to comply with applicable laws and regulations governing our practices. Therefore, our Code of Ethics includes guidelines for professional standards of conduct for our Associated Persons. Our goal is to protect your interests at all times and to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing with you. All of our Associated Persons are expected to adhere strictly to these guidelines. Our Code of Ethics also requires that certain persons associated with our firm submit reports of their personal account holdings and transactions to a qualified representative of our firm who will review these reports on a periodic basis. Persons associated with our firm are also required to report any violations of our Code of Ethics. Additionally, we maintain and enforce written policies reasonably designed to prevent the misuse or dissemination of material, non-public information about you or your account holdings by persons associated with our firm.

Our Code of Ethics is available to you upon request. You may obtain a copy of our Code of Ethics by contacting Robert Pelkey at 317-475-4500.

### **Participation or Interest in Client Transactions**

Neither our firm nor any of our Associated Persons has any material financial interest in client transactions beyond the provision of investment advisory services as disclosed in this brochure.

### **Personal Trading Practices**

Our firm or persons associated with our firm may buy or sell the same securities that we recommend to you or securities in which you are already invested. A conflict of interest exists in such cases because we have the ability to trade ahead of you and potentially receive more favorable prices than you will receive. To eliminate this conflict of interest, it is our policy that neither our Associated Persons nor we shall have priority over your account in the purchase or sale of securities.

## **Item 12 Brokerage Practices**

We may recommend brokers/trustees to clients and such recommendations will take into account a number of factors, some of which may include custodial fees charged by the broker for holding securities for you, commission rates, quality of execution and record keeping and reporting capabilities, among others. When recommending a broker/trustee, we will attempt to minimize the total cost for all services paid by you. However, it may be the case that the recommended broker/trustee charges a higher fee for a particular type of service, such as commission rates, than can be obtained from another broker.

### **Research and Other Soft Dollar Benefits**

We do not have any soft dollar arrangements with any brokers/dealers or other qualified custodians.

### **Brokerage for Client Referrals**

We do not receive client referrals from broker-dealers in exchange for cash or other compensation, such as brokerage services or research.

**Directed Brokerage**

In very limited circumstances, you may engage us to implement trades on behalf of your account. In such cases, you will instruct us to use one or more particular brokers for the transactions in your accounts. If you wish to direct us to use a particular broker, you should understand that we would not be able to negotiate brokerage compensation on your behalf. The chosen broker may not provide the most favorable net price and execution. Thus, when directing brokerage business, you should consider whether the commission expenses, execution, clearance, and settlement capabilities that you will obtain through your broker are adequately favorable in comparison to those that we might otherwise recommend.

**Block Trades**

Because we rarely trades on behalf of your accounts, and because you may utilize different brokers and/or custodians, and rarely hold the same securities, we does not aggregate transactions for multiple client accounts. Nonetheless, in rare instances, because orders are not aggregated on a pro-rata basis, you may receive different prices for the same securities, and/or may be charged higher commissions, and/or different Quantities of the same securities may be purchased or sold for different accounts.

**Item 13 Review of Accounts**

William Mauger, Joe Bill Wiley, Tiffany Spudich, and/or Amanda Black will monitor and review client accounts on a periodic basis in light of your identified needs, objectives and your financial plan/investment policy statement. Such review will be conducted at least annually or on a more frequent basis at your request. We make no representation with respect to the legal or tax matters, and it is your responsibility to consult with your own legal or tax counsel as necessary.

On a quarterly basis, your portfolio will receive scrutiny to ensure compliance with your stated investment policy. A review of the portfolio's current asset allocation will be conducted and compared to the strategic asset allocation as defined in your Investment Policy Statement (IPS). At that time, if necessary, the need for re-balancing will be addressed with you.

You will receive detailed performance reports on a quarterly basis that relate to portfolio performance as defined in the IPS.

**Item 14 Client Referrals and Other Compensation**

We directly compensate non-employee (outside) consultants, individuals, and/or entities (Solicitors) for client referrals. In order to receive a cash referral fee from our firm, Solicitors must comply with the requirements of the jurisdictions in which they operate. If you were referred to our firm by a Solicitor, you should have received a copy of this brochure along with the Solicitor's disclosure statement at the time of the referral. If you become a client, the Solicitor that referred you to our firm will receive a percentage of the advisory fee you pay our firm for as long as you are a client with our firm, or until such time as our agreement with the Solicitor expires or a one-time, flat referral fee upon your signing an advisory agreement with our firm. You will not pay additional fees because of this referral arrangement. Referral fees paid to a Solicitor are contingent upon your entering into an advisory agreement with our firm. Therefore, a Solicitor has a financial incentive to recommend our firm to you for advisory services. This creates a conflict of interest; however, you are not obligated to retain our firm for advisory services. Comparable services and/or lower fees may be available through other firms.

Solicitors that refer business to more than one investment adviser may have a financial incentive to recommend advisers with more favorable compensation arrangements. We request that our Solicitors disclose to you whether multiple referral relationships exist and that comparable services may be available from other advisers for lower fees and/or where the Solicitor's compensation is less favorable.

## **Item 15 Custody**

If you are not directly invoiced and if you elect to have us directly debit your account(s) for the payment of our advisory fees, the ability to deduct our advisory fees from your accounts causes our firm to exercise limited custody over your funds or securities. We do not have physical custody of any of your funds and/or securities. Your funds and securities will be held with a bank, broker-dealer, or other independent, qualified custodian. You will receive account statements from the independent, qualified custodian(s) holding your funds and securities at least quarterly. The account statements from your custodian(s) will indicate the amount of our advisory fees deducted from your account(s) each billing period. You should carefully review account statements for accuracy.

## **Item 16 Investment Discretion**

Typically, we do not implement investment advice for clients, in which case, clients are responsible for implementation of the investment advice provided. If you elect to have us execute transaction on your behalf, before we can buy or sell securities on your behalf, you must first sign our discretionary management agreement, a power of attorney, and/or trading authorization forms.

Accordingly, we may be granted the authority to purchase, sell, or exchange shares of mutual funds, money market funds, or other investments as determined by your Investment Policy Statement, the amount to be bought or sold, and the timing of the transaction without obtaining your prior consent. Such discretionary authority is limited to movements between mutual fund and at no commission. All other transactions must be approved in advance by you. The client services agreement will specify whether we will have such discretionary authority. If granted discretionary authority to manage an account, we will exercise such discretionary authority consistently with your investment objectives and policies. Investment objectives and policies are periodically reviewed, or may be reviewed upon request with you during the term of your contract.

If you enter into non-discretionary trading arrangements with us, we will obtain your prior approval before implementing any trades on behalf of your account(s).

## **Item 17 Voting Client Securities**

### **Proxy Voting**

We will not vote proxies on behalf of your advisory accounts. At your request, we may offer you advice regarding corporate actions and the exercise of your proxy voting rights. If you own shares of common stock or mutual funds, you are responsible for exercising your right to vote as a shareholder.

In most cases, you will receive proxy materials directly from the account custodian. However, in the event we were to receive any written or electronic proxy materials, we would forward them directly to you by mail, unless you have authorized our firm to contact you by electronic mail, in which case, we would forward any electronic solicitation to vote proxies.

## Item 18 Financial Information

We are not required to provide financial information to our clients because we do not:

- require the prepayment of more than \$1,200 in fees and six or more months in advance, or
- take custody of client funds or securities, or
- have a financial condition that is reasonably likely to impair our ability to meet our commitments to you.

## Item 19 Requirements for State-Registered Advisers

We are a federally registered investment adviser; therefore, we are not required to respond to this item.

## Item 20 Additional Information

### Trade Errors

In the event a trading error occurs in your account, our policy is to restore your account to the position it should have been in had the trading error not occurred. Depending on the circumstances, corrective actions may include canceling the trade, adjusting an allocation, and/or reimbursing the account. If a trade error results in a profit, the trade error will be corrected in the trade error account of the executing broker-dealer and you will not keep the profit.

### Your Privacy

We view protecting your private information as a top priority. Pursuant to applicable privacy requirements, we have instituted policies and procedures to ensure that we keep your personal information private and secure.

We do not disclose any nonpublic personal information about you to any non-affiliated third parties, except as permitted by law. In the course of servicing your account, we may share some information with our service providers, such as transfer agents, custodians, broker-dealers, accountants, consultants, and attorneys.

We restrict internal access to nonpublic personal information about you to employees, who need that information in order to provide products or services to you. We maintain physical and procedural safeguards that comply with regulatory standards to guard your nonpublic personal information and to ensure our integrity and confidentiality. We will not sell information about you or your accounts to anyone. We do not share your information unless it is required to process a transaction, at your request, or required by law.

You will receive a copy of our privacy notice prior to or at the time you sign an advisory agreement with our firm. Thereafter, we will deliver a copy of the current privacy policy notice to you on an annual basis. Contact Robert Pelkey at 317-475-4500, if you have any questions regarding this policy.

### Class Action Lawsuits

We do not determine if securities held by you are the subject of a class action lawsuit or whether you are eligible to participate in class action settlements or litigation nor do we initiate or participate in litigation to recover damages on your behalf for injuries as a result of actions, misconduct, or negligence by issuers of securities held by you.