

## **Form ADV Part 2A Brochure**

**April 20, 2021**

This brochure provides information about the qualifications and business practices of C.H. Douglas & Gray, LLC, doing business as C.H. Douglas & Gray Wealth Management. If you have any questions about the contents of this brochure, please contact us at (317) 843-8300 and/or [CHD@CHDouglas.com](mailto:CHD@CHDouglas.com), directing your inquiries to Christopher Douglas, Managing Director. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about C.H. Douglas & Gray Wealth Management is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

In this brochure C.H. Douglas & Gray Wealth Management makes reference to being a Registered Investment Adviser and/or being "registered." These terms do not imply any level of skill or training. These terms pertain to and describe only the process of filing required documents with federal and state regulatory authorities.



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## Item 2. – Material Changes

Material changes since last December 31, 2019 annual update.

### Item 4: Advisory Business

- As of September 30, 2020, based on our assets under management exceeding \$100 million, the firm is required to apply for registration with the SEC. The result of that application is pending.

### Item 5: Fees & Compensation

- Adjustment of fee schedule for new accounts
- Addition of pricing for Cumulus™

### Item 8: Methods of Analysis, Investment Strategies, & Risk of Loss

- Addition of language incorporating behavioral economics into analysis

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## Item 4 – Advisory Business

Registered in 2007 by Chris Douglas and Thomas Gray as an evolution of a financial service partnership formed in 2002, C. H. Douglas & Gray Wealth Management (CHDG) is an Independent Registered Investment Advisor with the U.S. Securities and Exchange Commission (SEC). Our advisory services include Asset Management, Financial Planning, and Estate Planning for households and businesses.

As asset managers, CHDG offers unbiased recommendations and opinions on securities and investment strategies. Securities may include common or preferred stocks, mutual funds, exchange traded funds (ETFs), real estate investment trusts (REITS), certificates of deposit, and bonds. As of December 31, 2020, CHDG's assets under management (AUM) total \$113,558,638, of which \$113,487,549 is managed on a discretionary basis, and \$71,089 is managed on a non-discretionary basis.

Our financial planning services assist clients in planning around such topics as retirement, child education, insurance, and generational transfer. As appropriate, we include corporate benefit analysis, tax planning, and net-worth analysis. Over time we review and monitor each client's plan as appropriate.

To clients with an exceptionally high net-worth, CHDG offers additional estate planning services. Estate planning services may include the analysis, recommendation, and monitoring of wills, trusts, powers of appointment, property ownership, rights of survivorship and powers of attorney.

At CHDG we work closely with our clients to define short- and long-term financial goals and establish a level of risk appropriate for their investments. We then work to assemble a mix of investments to meet their objectives and continually monitor and, as appropriate, adjust their mix over time. We strive to educate clients on current market forces and movements.

Should you have a personal bias for a security, or group of securities (international companies, healthcare companies, socially responsible companies, etc.) and you wish to incorporate these into your investment portfolio, we will work with and around such biases when recommending and assembling an investment portfolio.

## Item 5 – Fees and Compensation

For our investment supervisory services, CHDG charges a percentage of assets under management. Fees are computed as a percentage of the market value of assets under management as of the last day of each calendar quarter. The rates on certain portfolios may be flexible depending upon the size of the account and type of service desired. Fees are payable quarterly in advance.

You pay fees and costs whether you make or lose money on your investments. Fees and costs will reduce any amount of money you make on your investments over time. Please make sure you understand what fees and costs you are paying.

Our investment services are continuous but may be terminated at any time by either party upon written notice. Fees paid in advance will be prorated to the date of termination and any unearned portion will be refunded.

### Management Fees

The table below details the tiered fee structure for new accounts opened with the firm. Our fees are typically withdrawn electronically from our clients' brokerage accounts; however, clients can also arrange to pay them from other accounts as well.

We generally require a minimum of \$100,000 of assets for management. This minimum may be waived at our discretion.

### Management Fee Schedule

<b>Assets Under Management (AUM)</b>	<b>Percentage</b>
Under \$1,000,000	1.00%
\$1,000,000 -- \$1,999,999	0.75%
\$2,000,000 -- \$4,999,999	0.60%
\$5,000,000 -- \$10,000,000	0.50%
+\$10,000,000	Negotiable based on services to be provided

### Other Fees and Costs

You may incur brokerage commissions, transaction fees, and administrative charges imposed by custodians and broker-dealers.

We may recommend mutual funds or exchange-traded funds to fill specific portfolio needs. If we employ these funds, you will incur the fund's management and administrative fees. We work with our clients to reduce or eliminate these fees and commissions whenever possible.

We do not charge performance-based fees.

We offer financial planning and consulting services at an hourly rate or fixed fee. All of our planning and consulting fees are generally flexible to your needs and will vary based on the expected time and complexity of task.

Fixed-Income Accounts *Fees on fixed-income oriented portfolios or the fixed income portion of accounts may be lower depending on the strategy pursued and the investment selections associated with that strategy.*

Hourly Fees CHDG also provides investment consultation for which we are paid an hourly fee (\$150-\$500), an asset-based fee, or a straight fee for service. CHDG provides services such as advice on client retirement and deferred compensation plans, and personal and business financial planning on both a limited and comprehensive basis. Consulting and planning fees may be set or adjusted depending on the extent of the project or plan.

Planning Fees The price of financial plans depends on the scope of the plan. Initial financial plans generally range between \$2,000 and \$10,000 and cover 3 to 5 planning sessions plus one year of access to our online planning system, Cumulus™. The cost is invoiced to the client.

Ongoing planning typically has an annual fee from \$1,000 to \$5,000 and includes unlimited access to Cumulus™, regular updating, and the option for annual planning meetings. This cost can either be invoiced or deducted quarterly, in advance, from client account under management.

The price for ongoing planning can be discounted or waived when combined with asset management.

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

CHDG does not accept performance-based fees.

CHDG is a fee-based practice and fee-only in matters of investment, charging clients a percentage of assets under management. The firm believes this arrangement best protects client and the firm from conflicts of interests inherent with transaction-based compensation practices and discourages the excessive risk taking often associated with performance-based fees.

## Item 7 – Types of Clients

CHDG provides investment advice to the following types of clients:

- A. Individuals & households
- B. Trusts, estates and charitable organizations
- C. Corporations and other business entities
- D. Pensions, profit sharing and 401(k) plans

Of the above list, individuals and households make up the largest share of our client base, while 401k plans and trusts are also significant shares.



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

CHDG constructs individual, long-term, diversified portfolios that reflect the risk tolerance of our clients. Investing in securities involves risk and possible loss of investment; indeed, even the most conservative and diversified portfolios can incur investment losses.

CHDG begins its construction of client portfolios by assessing the risk tolerance of clients as well as your return and income needs. Based on this information, CHDG proposes an asset allocation for which we will then recommend securities. Securities we recommend may include individual stocks, preferred stocks, REITs, exchange-traded funds (ETFs), bonds, stock and bond mutual funds, and certificates of deposit, based on such factors as (in the case of individual stocks or bonds) fundamental analysis, price, dividend/interest yield, and/or credit rating or (in the case of mutual and exchange-traded funds) sector, capitalization, management characteristics, and expenses.

For core positions, CHDG favors equity index and exchange-traded funds, which provide broad diversification at very low expense. Index funds and ETFs represent a basket of individual securities which track a market segment or market index. (It should be kept in mind that all securities involve some element of risk and possible loss of investment.)

CHDG's research and methods of analysis are rooted in modern portfolio theory and the capital asset pricing model. This academic work demonstrates that the most favorable risk-adjusted returns come with diversification and, secondly, that favorable returns are most closely associated with exposure to market segments (e.g. large caps, small caps, utilities, consumer non-discretionary) rather than individual stocks or bonds.

The developing field of behavioral economics, in which market efficiencies are understood to be affected often by human behavior that is cognitively biased, also informs our analysis.

## Item 9 – Disciplinary Information

Neither CHDG as a firm, nor any of our members or employees have been involved in any type of legal proceeding or disciplinary action by a regulatory authority, either currently or in the past.

- A. Neither CHDG as a firm, nor any of our members or employees have been involved in a criminal or civil action in a domestic, foreign or military court of competent jurisdiction in which it has been convicted of, pled guilty or nolo contendere (no contest) to (a) any felony or (b) any misdemeanor that involved investments or investment-related fraud, false statements and omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting or extortion or (c) conspiracy to commit any of these offenses.
- B. Neither CHDG as a firm, nor any of our members or employees are named subjects of a pending criminal proceeding that involves investment-related fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting or extortion.
- C. Neither CHDG as a firm, nor any of our members or employees have been found to have been in violation of an investment-related statute or regulation.
- D. Neither CHDG as a firm, nor any of our members or employees have been the subject of any order, judgment or decree permanently or temporarily enjoining or otherwise limiting from investment-related activity or from violating any investment-related statute, order, or rule.
- E. Neither CHDG as a firm, nor any of our members or employees have been involved in an administrative proceeding before the SEC, federal regulatory body or state regulatory body or any foreign financial regulatory authority in which it was found to have caused an investment-related business to lose its authorization to conduct business; nor was it found to have been involved in a violation of an investment-related statute or regulation and was the subject of an order by the agency or authority denying, suspending, or revoking the authorization the firm to act in an investment-related business; nor barring or suspending the firm's management personnel association to act in an investment-related business; nor otherwise significantly limiting the firm's investment-related activities, nor imposing a civil money penalty in excess of \$2,500 on the firm.
- F. Neither CHDG as a firm, nor any of our members or employees have been involved in a self-regulating organization (SRO) proceeding in which it was found to have caused an investment-related business to lose its authorization to do business, nor was it found to be in violation of SRO rules and was barred or suspended from membership or barred from association of other members or expelled from membership or was significantly limited from investment-related activities or was fined more than \$2,500.

## Item 10 – Other Financial Industry Activities and Affiliations

Neither CHDG nor our principals or employees are registered or have a pending registration to serve as a futures commission agent, commodity pool operator, a commodity trading advisor or an associated person of the foregoing entities.

As a convenience to our clients, CHDG is able to offer insurance products such as life and health insurance, the sale of which produce commissions that can constitute a conflict of interest. CHDG attempts to mitigate the impact of this conflict by 1) our full disclosure to our clients, 2) acting as an independent agent and offering a range of competitively priced products from different insurance companies, 3) providing clients with a list of all premium quotes obtained, and 4) advising clients of your right and ability to obtain quotes from other sources.

On behalf of two clients who operate reinsurance companies, CHDG has subcontracted to a third party investment advisor on which we have performed due diligence for our clients, and our fee is billed to the client's account at the third party advisor. Aside from that, CHDG does not subcontract to third party investment advisors, and we do not receive any type of fees or remuneration from other investment advisors.

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

### *Code of Ethics*

C.H. Douglas & Gray Wealth Management, our partners, C.H. Douglas and Thomas Gray, our associates, and employees will be guided always by the principle that we treat our clients as we ourselves would wish to be treated; that we advise our clients as we would wish to be advised; that we manage our clients' accounts as we would wish our accounts to be managed; that we inform our clients as we would wish to be informed; that we guard our clients' interests as we would wish ours to be guarded; and that we charge our clients as we would wish to be charged.

As fiduciaries, we will fulfill our responsibilities to our clients to accord them the highest standard of care, good faith, and candor.

As professionals, we will allow no interest of our own to supersede that of our clients.

We will accept no gifts, rewards, or incentives from companies seeking the business of our clients.

We will comply with all laws, rules and regulations applicable to our operations and business.

We will provide a copy of this Code of Ethics to any client or prospective client upon request.

### **Regarding Personal Trading Procedures**

All Associates must be familiar with and abide by all CHDG trading policies and procedures. In addition, CHDG requires that an Associate review client transactions periodically.

No Associate shall use any information concerning the investments or investment intentions of CHDG, or his or her ability to influence such investment intentions, for personal gain or in a manner detrimental to the interests of CHDG or our clients. In addition, no Associate shall, directly or indirectly in connection with the purchase or sale of a "security held or to be acquired" for the portfolios of our Investment Clients:

1. employ any device, scheme or artifice to defraud CHDG or our Investment Clients; or
2. make to CHDG or our Investment Clients any untrue statement of material fact or omit to state to any of the foregoing a material fact necessary in order to make the statements made, in light of the circumstances under which they are made, not misleading; or
3. engage in any act, practice, or course of business, which operates or would operate as a fraud or deceit upon CHDG or our clients; or
4. engage in any manipulative practice with respect to CHDG or our clients.

**Pre-Clearance Required.** No Associate shall purchase or sell, directly or indirectly, any security in which he or she has, or because of such transaction acquires, any direct or indirect beneficial ownership without first obtaining the permission of the Compliance Officer, who shall make reasonable inquiry as to the trading or proposed trading or pending purchase or sale orders by Investment Clients in such security. CHDG will maintain records of the approval of, and rationale supporting, the acquisition of investments in IPO's and Private Placements for at least five years after the end of the fiscal year in which the approval is granted.

Persons seeking authorization to enter into transactions requiring prior clearance shall complete and sign a form approved for that purpose by CHDG, which form shall set forth the details of the proposed transaction. Upon obtaining authorization to enter into the subject transaction, the Compliance Officer authorizing the transaction shall affix their signatures to the Clearance Form to indicate such approval.

## Item 12 – Brokerage Practices

CHDG accepts no “soft dollar” payments from any custodian or broker dealer. As a registered investment advisor, CHDG does not receive any commissions from security transactions; CHDG is solely a fee-based investment advisor. CHDG does not receive nor do we pay any third-party referral fees to broker dealers or any other third parties.

CHDG at no time will select a broker dealer or open an account without the clients' active participation. As a client of an independent RIA, you are free to select the broker dealer you wish. However, CHDG for the sake of efficiency of operations does suggest a broker dealer, most commonly TD Ameritrade Institutional.

The selection of broker dealer will be based on the best combination of fees, transaction costs, and technology. In addition, CHDG will also consider such factors as execution capability, financial stability, and clearance and settlement capability.

It is assumed that as CHDG grows we will be able to negotiate discounted transaction costs for our client base – especially if the majority of client accounts are housed at a specific broker dealer. Aggregating accounts at one broker dealer would ideally bring lower transaction fees -- additionally, it would also bring certain efficiencies to CHDG when executing transitions for its clients.

As disclosed above, CHDG’s primary broker dealer relationship is with TD Ameritrade Institutional. CHDG may recommend TD Ameritrade Institutional to clients for custody and brokerage services. There is no direct link between CHDG's participation in TD Ameritrade Institutional's advisor programs and the investment advice we give to our clients, although CHDG receives benefits through our participation in the program, which has economic value. These benefits include: receipt of duplicate client confirmations; access to a trading desk serving advisor participants; access to block trading; the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and potential discounts on compliance, marketing, technology and proactive management products or services provided to CHDG by third party vendors. These benefits received by CHDG do not depend on the amount of brokerage transactions directed to TD Ameritrade Institutional.

As part of our fiduciary duties to our clients, CHDG endeavors at all times to put the interest of our clients first. Our Clients should be aware, however, that the potential receipt of the above economic benefits by CHDG in and of itself creates a potential conflict of interest.

## Item 13 – Review of Accounts

C.H. Douglas and Gray, LLC (CHDG) meets with clients initially to ascertain what advisory relationship is appropriate. At that time or in a follow up meeting, CHDG assesses your investment experience, objectives, and risk tolerance, on the basis of which CHDG recommends an asset allocation, sector diversification, and appropriate investments. CHDG at a minimum offers you quarterly meetings and/or conference calls to review market and account performance and asset allocation. If and/or when CHDG perceives a change in market conditions, opportunities, or risks that suggest a change in investment strategy or allocation is appropriate, CHDG contacts you, reviews the changes, and obtains your approval if discretion has not been pre-assigned. Chris Douglas, Managing Partner, and/or Thomas Gray, CFA will perform these reviews with clients. Jon Cracraft and Doris Roberts, Investment Advisor Representatives, may also perform some reviews under supervision of Chris Douglas.

The institutions acting as custodians of securities in client accounts supply account statements and trade confirmations to clients according to the terms of their account opening agreements. Typically, institutions issue account statements for any month in which there is activity in the account, quarterly at a minimum. CHDG issues quarterly reports following the end of each calendar quarter, which reports include economic observations, investment performance, allocation, and gain and loss data.

## Item 14 – Client Referrals and Other Compensation

CHDG does not pay any referral fees to third parties or individuals for client referrals.

Also, CHDG does not receive any type of sales rewards or prizes from third parties.



## Item 15 – Custody

In most instances, TD Ameritrade Clearing, Inc. (TD) is the custodian for our clients. TD provides our clients with monthly statements and also provides the ability for clients to review your accounts electronically. Clients are urged to review these statements closely and to address any questions or concerns to CHDG. CHDG provides written, quarterly performance reviews. The data for these reports is drawn from TD and other custodians as applicable. Here too clients are urged to compare the performance reviews with their monthly statements.

Client funds may also be custodied with another third party custodian of your choice, or with your employer's retirement plan provider.

Our firm is deemed to have constructive custody of client funds and/or securities because advisory fees are directly deducted from client's account by the custodian on behalf of CHDG and due to its third party money movement authority. In these circumstances, our firm and its qualified custodian adheres to the following seven conditions in order to avoid maintaining full custody:

1. The client provides an instruction to the custodian, in writing, that includes the client's signature, the third party's name, and either the third party's address or the third party's account number at a custodian to which the transfer should be directed;
2. The client authorizes CHDG in writing, either on the custodian's form or separately, to direct transfers to the third party either on a specified schedule or from time to time;
3. The client's custodian performs appropriate verification of the instruction, such as a signature review or other method to verify the client's authorization, and provides a transfer of funds notice to the client promptly after each transfer;
4. The client has the ability to terminate or change the instruction to the client's custodian;
5. CHDG has no authority or ability to designate or change the identity of the third party, the address, or any other information about the third party contained in the client's instruction;
6. CHDG maintains records showing that the third party is not a related party of CHDG or located at the same address as CHDG;
7. The client's custodian sends the client, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.

***Direct Debiting of Advisory Fees:*** We previously disclosed in the "Fees and Compensation" section (Item 5) of this Brochure that our firm directly debits advisory fees from client accounts.

As part of this billing process, the client's custodian is advised of the amount of the fee to be deducted from that client's account. On a monthly or quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period. Because the custodian does not calculate the amount of the fee to be deducted, it is

important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact us directly if they believe that there may be an error in their statement.

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

## Item 16 – Investment Discretion

Only to the degree stipulated in the Portfolio Management Agreement and the Investment Policy Statement signed by the client, CHDG may have the discretion to direct execution of securities trades without transaction-by- transaction client consultation. However, all transactions are conducted within tolerances of an asset allocation established in an Investment Policy Statement approved by the client. Clients in custodian account applications typically grant CHDG limited power of attorney to execute trades in your accounts and to deduct our fees from your accounts; this limited power does not include any ability to withdraw funds beyond agreed-upon fees, to write checks, or to transfer funds out of your account.

## Item 17 – Voting Client Securities

Clients will receive their proxies and other such solicitations through the custodian, which in most cases will be TD Ameritrade Institutional. Clients have the choice to receive these materials either electronically or through the post. In some (rare) instances, clients may assign to CHDG the authority or capacity to vote their proxies.

As financial advisors to our clients, CHDG stands ready to consult with clients on proxies and explain the economic implications of various corporate events. However, ultimate decision-making on matters of proxies resides with the client.

## Item 18 – Financial Information

As an advisory firm that maintains discretionary authority for client accounts, we are required to disclose any financial condition that is reasonably likely to impair our ability to meet our contractual obligations. CHDG has no such financial circumstances to report.

Under no circumstances do we require or solicit payment of fees in excess of \$1,200 per client more than six months in advance of services rendered. Therefore, we are not required to include an audited balance sheet.

CHDG has never been the subject of a bankruptcy petition.