

## Item 1 – Cover Page



### **Cambridge Advisors Inc.**

17330 Wright Street, Suite 205

Omaha, NE 68130

402.697.1166

[www.cambridgeadvisors.net](http://www.cambridgeadvisors.net)

March 2021

This Brochure provides information about the qualifications and business practices of Cambridge Advisors Inc. If you have any questions about the contents of this Brochure, please contact Lori Liffing at 402.697.1166 or [lliffing@cambridgeadvisors.net](mailto:lliffing@cambridgeadvisors.net). The information in this brochure has not been approved or verified by the United States Security and Exchange Commission or by any state securities authority.

Cambridge Advisors Inc. is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information to use in determining whether or not to hire an Adviser.

Additional information about Cambridge Advisors Inc. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov) and reference CRD #104851.

## **Item 2 – Material Changes**

The SEC Rules require that we provide you a summary of any material changes made to our brochure and an explanation of these changes on an annual basis. We will also tell you the date of our last annual update. You will receive these updates annually by April 30 of each year or more often if necessary. As always, you will not be charged for the brochure.

Since filing our last annual amendment on March 2020, Cambridge Advisors has made no material changes to this brochure:

You may request our brochure by calling Lori Lifftring, our President and Chief Compliance Officer, at 406.697.1166 or by emailing her at [llifftring@cambridgeadvisors.net](mailto:llifftring@cambridgeadvisors.net).

Additional information about Cambridge Advisors Inc. is also available on the SEC's website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's website also provides information about any persons affiliated with Cambridge Advisors Inc. who are registered as investment advisor representatives of Cambridge Advisors Inc.

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#### **Item 4 – Advisory Business**

Gaylan Abood founded Cambridge Advisors Inc. in 1990 as an independent, fee-only investment advisor. Cambridge Advisors Inc. has always been owned 100% by employees of the firm. Gaylan has since retired and the current owners of the firm are Lori Liffing, President, who owns 67% and Michael Bridgman, Vice President, who owns 33%.

Cambridge Advisors Inc. provides investment management and financial planning services to clients. Investment management includes giving continuous investment advice or making and implementing investment decisions on a discretionary basis in client accounts. Having discretion on the account means that we do not need to ask for specific client consent before each buy or sell transaction. Our investment management services include financial planning services that do not always result in a written financial plan. At the request of the client, Cambridge Advisors will provide a written financial plan at no additional charge.

Our portfolios are custom-tailored to each client's individual needs, risk tolerance levels, and preferences and may include individual securities, mutual funds, and/or exchange traded funds. Portfolio managers talk with clients to learn about their situation and discuss what types of investments may be appropriate for them and guidelines for the management of the account. Clients may request that certain securities or types of securities (such as securities issued by tobacco or alcohol companies) not be held in their accounts.

Cambridge Advisors offers stand-alone financial planning services as a separate service for those clients that do not need our investment management services or do not meet our minimum account value of \$500,000. Our financial plans include advice and recommendations on the following topics: retirement planning, retirement income planning, legacy planning, asset allocation, life insurance analysis, cash flow analysis, and/or special goal planning.

Cambridge Advisors Inc. also provides investment advisory services to retirement plans.

Our retirement plan services include:

A. Fiduciary Consulting Services

- Investment Policy Statement Preparation. Advisor will help Client develop an investment policy statement. The investment policy statement establishes the investment policies and objectives for the Plan. Client shall have the ultimate responsibility and authority to establish such policies and objectives and to adopt and amend the investment policy statement.

- **Non-Discretionary Investment Advice with Trading Authority.** Advisor will provide Client with non-discretionary investment advice regarding the purchase or sale of securities of the Plan. Advisor will not have investment discretion to make decisions to buy or sell securities of the Plan. Client will be solely responsible for determining whether or not to buy or sell securities of the Plan. Client grants Advisor the power and authority to carry out these decisions by Client by giving instructions, on behalf of Client, to brokers and dealers and the qualified custodian(s) of the Plan for Advisor's management of the designated retirement plan assets. Client authorizes Advisor to provide a copy of this Agreement to the qualified custodian or any broker or dealer, through which transactions will be implemented on behalf of Client, as evidence of Advisor's authority under this Agreement.
- **Investment Selection Services.** Advisor will provide Client with non-discretionary investment advice about asset classes and recommendations of investment options consistent with ERISA section 404(c). The implementation of any Advisor's advice will be solely the responsibility of Client.
- **Investment Due Diligence Review.** Advisor will provide client with periodic due diligence reviews of the Plan's reports, investment options and recommendations.
- **Investment Monitoring.** Advisor will assist in monitoring investment options by preparing periodic investment reports that document investment performance, consistency of fund management and conformation to the guidelines set forth in the investment policy statement and Advisor will make recommendations to maintain or remove and replace investment options.
- **Default Investment Alternative Advice.** Advisor will provide non-discretionary alternative(s) ("QDIA"), as defined in DOL Reg. Section 2550.404c-5(e)(4)(i), for participants who are automatically enrolled in the Plan or who otherwise fail to make an investment election. Client retains the sole responsibility to provide all notices to participants required under ERISA section 404(c)(5).
- **Model Portfolios.** Advisor will recommend to the Plan model portfolios that invest in assets using the Plan's Designated Investment Alternatives ("DIAs"), assist the Plan in monitoring the model portfolios and as necessary and prudent make recommendations to the Plan to change the allocations within the model portfolios using the existing DIAs. The model portfolios will be limited to the DIAs and not consider other investments. Plan will be responsible for determining whether or not to approve such recommended model portfolios and updates/changes to the model portfolio. Once the Plan has approved the model portfolios or subsequent changes to the model portfolio, the third-party service provider will be responsible for making the portfolio models available to the Plan participants. Each Plan participant will have the option to elect or not elect the model portfolios.
- **Individualized Participant Advice.** Upon request from Client, Advisor will provide one-on-one advice to Plan participants regarding their individual situations.

#### B. Fiduciary Management Services

- **Discretionary Management Services.** Advisor will provide Client with continuous and ongoing supervision over the designated retirement plan assets, as specified in Exhibit A. Advisor will actively monitor the designated retirement plan assets and provide advice to Client regarding buying, selling, reinvesting or holding securities, cash or other investments of the Plan. Client grants Advisor discretionary authority to make all decisions to buy, sell or hold securities, cash or other investments for the designated retirement plan assets in the sole discretion of Advisor without first consulting with Client. Client also grants Advisor the

power and authority to carry out these decisions by giving instructions, on behalf of Client, to brokers and dealers and the qualified custodian(s) of the Plan for Advisor's management of the designated retirement plan assets. Client authorizes Advisor to provide a copy of this Agreement to the qualified custodian or any broker or dealer, through which transactions will be implemented on behalf of Client, as evidence of Advisor's authority under this Agreement.

If Client has elected to utilize Advisor's Discretionary Management Services, then Advisor will be acting as an Investment Manager to the Plan, as defined by ERISA section 3(38), with respect to the management of the available investment options, and Advisor hereby acknowledges that it is a fiduciary with respect to its selection of investment options available to Plan participants.

#### C. Non-Fiduciary Services

- Participant Education. Advisor will be available upon request to provide education services to the Plan participants about general investment principles and the investment alternatives available under the Plan. Client understands that Adviser's assistance in participant investment education will be consistent with and within the scope of DOL Interpretive Bulletin 96-1. Education presentations will not take into account the individual circumstances of each participant and individual recommendations will not be provided unless otherwise agreed upon. Plan participants are responsible for implementing transactions in their own accounts.
- Participant Enrollment. Advisor shall assist in the group enrollment meetings designed to increase retirement plan participation among employees and investment and financial understanding by the employees.

As of December 31, 2020, Cambridge Advisors managed \$505,633,730 assets on a discretionary basis and \$32,675,270 on a non-discretionary basis for a total of \$538,309,000.

#### Administrative Services Provided by Orion Advisors Services, LLC

Cambridge Advisors has contracted with Orion Advisor Services, LLC (referred to as "Orion") to utilize its technology platforms to support data reconciliation, performance reporting, fee calculation and billing, client database maintenance, quarterly performance evaluations, and other functions related to the administrative tasks of managing client accounts. Due to this arrangement, Orion will have access to client accounts, but Orion will not serve as an investment adviser to Cambridge Advisor clients. Clients will not incur additional fees with the firm's use of Orion.

You may see slight differences in the quarter-end market value of your account from your custodian's statement as compared to the market value of your account from Orion, due to differences in the treatment of accrued interest posting, trade date versus settlement date, and other variables.

## **Item 5 – Fees and Compensation**

The fee for the management of an account will be 0.25 of 1% per quarter of the market value. Fees for an account over two million dollars in size may be negotiated to meet particular needs or services on an individual account basis. Fees for charitable accounts and for families with multiple accounts also may be negotiable or discounted.

Fees for investment management are due in advance and are collected at the beginning of each quarter. New accounts initiated during the quarter or with significant inflows will be charged a prorated fee for the quarter. Fees are normally deducted from the client's account unless other arrangements are made. The client provides authorization for this on the account application.

This Agreement may be terminated at any time by either party. In the event of termination, Advisor will refund a pro-rata portion of the prepaid management fees based on the number of days remaining in the calendar quarter subject to a de minimus amount (less than \$10). The refund will be issued within 30 days of the end of the quarter.

Cambridge Advisors Inc.'s fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in the fund's prospectus. An annuity may also include an insurance fee. Such charges, fees and commissions are in addition to Cambridge Advisors Inc.'s fees, and Cambridge Advisors Inc. shall not receive any portion of these commissions, fees and costs. The fee for the management of an account will include the safekeeping fee if Cambridge Advisors Inc. selects the custodian. Item 12 further describes the factors that Cambridge Advisors Inc. considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (or, commissions).

Fees for retirement plan services will be determined based upon the complexity of the plan, the size of the plan assets, the actual services requested, the representative providing the services, the number of plan participants and the potential for additional deposits. Advisor also takes into consideration special situations or conflicts of interest where charging a fee to Client is prohibited under ERISA laws.

The specific annual fee for retirement plan services will be disclosed in the Qualified Retirement Plan Agreement and based on the total market value of the plan assets (excluding self-directed brokerage accounts and securities of the sponsor of the Plan). Fees will be charged in one of two options: 1) directly billed quarterly in advance or 2) fee deduction quarterly in arrears. Each client's fee billing option will be disclosed in the Qualified Retirement Plan Agreement. (See the Qualified Retirement Plan Agreement for additional detailed information about retirement plan services and fees.

### Direct Bill Quarterly in Advance.

If retirement plan elects the Direct Bill Quarterly in Advance option, retirement plan will be charged an annual fee divided by 4 into quarterly payments. Under this option, Advisor's

Retirement Plan Services fees are billed in advance (at the start of the quarter) on a calendar basis and calculated by multiplying one-fourth (1/4) of the annual fee for Retirement Plan Services by the fair market value of the Plan's assets (excluding securities of the sponsor of the Plan) on the last day of the preceding quarter. Fees are prorated based on the number of days service is provided. Advisor or a third-party service provider will send a detailed billing invoice to retirement plan for each billing period. Fees for Advisor's services will be due within thirty (30) days after Client's receipt of the billing invoice.

Fee Deduction Quarterly in Arrears.

If retirement plan elects the Fee Deduction Quarterly in Arrears option, retirement plan will be charged an annual fee divided into quarterly payments. Under this option, Advisor's Retirement Plan Services fees are billed in arrears (at the end of the billing period) on a quarterly calendar basis and calculated by multiplying one-fourth (1/4) of the annual fee by the value of the Plan's assets (excluding self-directed brokerage accounts and securities of the sponsor of the Plan) for the calendar quarter. The value of the Plan's asset for the calendar quarter will be determined by averaging the value of the Plan as of the last day of the preceding calendar quarter and the last day of each month falling within the current calendar quarter. Fees are prorated (based on the number of months that any service is provided during the billing period) for an account opened at any time other than the beginning of the calendar quarter or closed at any time other than the last day of the calendar quarter. Retirement plan hereby authorizes the Plan custodian to deduct Advisor's Retirement Plan Services Fee and to direct such fee to Advisor. Fees for billing periods will be prorated based on the number of days that services were provided during the billing period. If necessary, retirement plan agrees to complete separate forms for the Plan custodian or service provider regarding retirement plan's authorization for the deduction of the Retirement Plan Services fee. Custodian will make available a statement to retirement plan showing the amount of the fee (often referred to as "ERISA Budget") that will be deducted.

Advisor believes that its annual fee is reasonable in relation to: (1) services provided under this Agreement; and (2) the fees charged by other investment advisors offering similar services/programs. However, Advisor's annual fee may be higher than that charged by other investment advisors offering similar services and programs. In addition to Advisor's compensation, the Plan will also incur charges imposed at the mutual fund level (e.g., advisory fees and other fund expenses) and charges imposed by the Plan custodian and Third-Party Administrator (if applicable).

The Plan custodian or the Third-Party Administrator to the Plan will make available statements to the Plan, at least quarterly, showing all disbursements from the Plan, including the amount of the Retirement Plan Services fee paid and when such fee is deducted directly from the Plan.

If there are any brokerage commissions and/or transaction ticket fees, such commissions/fee will be charged by the custodian to the Plan. Advisor will not receive any portion of such brokerage commissions or transaction fees from the Custodian.

In addition, Plan may incur certain charges imposed by third parties other than Advisor in connection with investments made through the Plan, including but not limited to, 12(b)-1 fees and surrender charges, variable annuity fees and surrender charges, and qualified retirement plan fees. Service fees charged by Advisor are separate and distinct from the fees and expenses charged by investment



company securities that may be recommended to retirement plan. A description of the fees and expenses of the investment company securities are available in each investment company security's prospectus.

Advisor does not reasonably expect to receive any other compensation, direct or indirect, for its Services under this Agreement. If Advisor receives any other compensation for such services, Advisor will (i) offset that compensation against its stated fees, and (ii) will disclose the amount of such compensation, the services rendered for such compensation and the payer of such compensation to retirement plan.

Cambridge Advisors offers a stand-alone financial planning service for a flat fee to non-investment management clients and clients who may not meet the investment management minimum. The fee for preparing a comprehensive financial plan is \$2,500.00. One-half of the financial planning fee is due and collected as a retainer to begin financial planning and the balance is collected when the plan is completed. One-half of the financial planning fee can be applied toward investment management fees if they become an investment management client within one year and meet the stated investment minimum. Clients who do not meet the investment management minimum may also engage Cambridge Advisors to provide retirement planning advice on assets not under management for a fee not to exceed 0.25% per quarter of the balance in the retirement plan and other held away assets.

Cambridge Advisors Inc. may give investment advice through consultations not included in investment supervisory services or on matters not involving securities. Clients may request the firm to engage in special studies or projects that may not be covered by the above fee schedules. In these cases the fee will depend on the complexity and scope of the study and generally be based on the time and effort involved. If additional fees apply, Cambridge Advisors Inc. will notify the client before the project commences.

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

Cambridge Advisors Inc. does not charge any performance-based fees (fees that are based on a percentage of capital gains or capital appreciation of the assets of the client).

### **Item 7 – Types of Clients**

Cambridge Advisors Inc. provides investment advisory services to individuals and their families, retirement plans and not-for-profit organizations. Our stated investment minimum for new clients is \$500,000 but may be waived by the portfolio manager at their discretion with approval by an Officer. This minimum is across the client relationship and not for each account. For example, a husband may have a \$200,000 brokerage account, an IRA of \$500,000 and his wife may have a small IRA of \$20,000. The investment minimum would be met because the total investable assets of \$720,000 is above the \$500,000 minimum. There is no investment minimum for stand-alone financial planning services.

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

**Asset Allocation Process** - When structuring portfolios, we consider several factors. First, we take into account the client's objectives and investment policy. Our portfolios are customized to each client's specifications so that we respect risk tolerance levels and return expectations. Second, we strive to build a diversified portfolio across asset classes (large cap and small cap) and styles (growth and value), as well as industries and companies. We may also include allocations to natural resources, commodities, or alternative investments. Third, based on current market conditions and our future outlook, we emphasize areas where we see higher growth potential. Within this framework we build a portfolio of individual securities, mutual funds, and/or exchange traded funds that reflect each client's specific constraints including liquidity issues, investment horizon, government regulations, tax implications, preferences and unique needs.

While we are not "market-timers" we do recognize that the risk/reward relationship of the various asset classes will change over time. Asset allocations are adjusted to reflect our outlook of future growth opportunities and risk levels as well as the client's needs. Factors such as equity valuations and interest rate levels may influence asset allocations. When equity valuations and/or interest rates are at historically high levels it may encourage a shift in asset allocation in favor of fixed income securities. When equity valuations and/or interest rates are at historically low levels it may encourage a shift in favor of equity securities. Most changes in asset allocation due to market factors are relatively gradual.

**Individual Securities Investment Process** – Cambridge Advisors gathers investment information from a wide variety of sources for analysis. We make our own investment decisions internally. We do not rely on a "buy list" from a parent company or Wall Street third party. As part of the investment committee, the portfolio managers are actively involved in the investment research functions of the firm.

**Equities** – For individual securities, we concentrate on highly marketable securities that trade on the major stock exchanges. As a rule, Cambridge pursues a strategy of purchasing growth companies at attractive valuations. Some refer to this a Growth at a Reasonable Price or GARP strategy. In practice, we evaluate stocks according to long-term earnings, sales and dividend growth rates, and management of the company. We also consider valuations relative to the market and historical trends. We select securities that are attractively priced, given their future earnings outlook so that we are not buying at an unreasonably high valuation.

When we buy an individual equity security, we seek a potential 15% compounded annual rate of return or 50% appreciation within three years. If a stock pays an attractive dividend, we may reduce our total return target. When a security reaches that target, we re-evaluate to determine whether our required growth potential still exists. If so, we will project a new target price and continue to hold the security. If not, we will sell at this time. If a security becomes overweighted, we may sell back to a normal weighting. If a company's fundamentals change substantially in the form of lost market share, diminished margins, or successive missed estimates we may sell the security even if the original target price has not been met.

Additionally, any price decline of 20% or more after a purchase triggers a security review to justify continued holding.

**Fixed Income** - Our fixed income strategy revolves around building a portfolio of high-quality, investment grade bonds with a ladder of maturities. We evaluate the current spread between corporate bonds and Treasuries and compare it to historic spreads when selecting securities. For Treasury Bonds and Government Agency investments, individual bonds are often preferred over mutual funds because of their lower expenses and the ability to lock in the rate of return.

When purchasing fixed-income securities, we typically buy high-quality, investment grade bonds. This practice reduces the credit risk. After purchase, we monitor the ratings on the bonds held to insure they do not drop below investment grade. Our strategy is not to buy and sell bonds based on trading speculation. Instead, we purchase a ladder of maturities and practice a buy and hold until maturity strategy. This way, our return is locked in for the duration of the bond.

We may also purchase mutual funds for bonds if there is a higher need to reduce default risk such as in corporate bonds and international bonds.

**Mutual Funds and Exchange Traded Funds Investment Process** – We utilize mutual funds and exchange traded funds (ETFs) in client portfolios, too. We may be more prone to use these types of securities in times when more diversification is needed, taxes are not a factor, the value of the account is smaller or the client prefers mutual funds or ETFs. Often mutual funds and ETFs provide our exposure to small and mid-cap stocks, international stocks and bonds, and high yield bonds. Our search criteria may vary according to the client but normally include reasonable expense ratios, good track records, and widely recognized fund companies. Other factors we may consider include trading volume, historical returns, tax efficiency, portfolio composition and consistency. Because it is our goal to minimize investment expenses for our clients, the mutual funds we use are no-load funds.

A mutual fund will be sold if it is consistently underperforming relative to its benchmarks or its peers. Also, if it changes its composition and is no longer filling a need in the portfolio, it will be sold. We also monitor mutual funds for regulatory issues, changes in operating expenses, changes in fund management and other issues to determine if changes are warranted.

**Risks involved** – Investing in securities involves risk of loss that clients should be prepared to withstand. Equity risks include market risk in which stocks as a whole go down as well as specific company risk in which the stock price declines even when the rest of the stock market is advancing higher. Fixed income investments may not be as volatile as stock investments, but they still have risk. Fixed income has default risk that the issuer may not pay according to the terms of the bond. It also has risk in a rising interest rate environment because bond prices may depreciate. If the depreciation is more than the interest income, bond investments may have a negative total rate of return. Fixed income investments also have inflation risk where high rates of inflation may result in a loss of purchasing power.

## **Item 9 – Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Cambridge Advisors Inc. or the integrity of Cambridge Advisors Inc.'s management. Cambridge Advisors Inc. has no information applicable to this Item.

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

Cambridge Advisors Inc. provides investment advice through our investment management and financial planning services described in Item 4. We are not actively engaged in any other business. Cambridge Advisors Inc. is not a securities broker-dealer, a futures commission merchant, commodity pool operator nor a commodity trading advisor. In addition, we do not have any arrangements that are material to our advisory business with any of the following entities:

- Broker-dealer;
- Investment company;
- Another investment advisor;
- Financial planning firm;
- Commodity pool operator, commodity trading adviser or futures commission merchant;
- Banking or thrift institution;
- Accounting firm;
- Law firm;
- Insurance company or agency;
- Pension consultant;
- Real estate broker or dealer; nor
- An entity that creates or packages limited partnerships.

In addition, Cambridge Advisors Inc. nor is employees are general partners in any partnership which solicits our clients for investment.

## **Item 11 – Code of Ethics**

Cambridge Advisors Inc. has adopted a Code of Ethics for all employees of the firm describing its high standard of business conduct and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, a gift acceptance policy, and personal securities trading procedures. All employees at Cambridge Advisors Inc. must acknowledge the term of the Code of Ethics annually, or as amended.

Cambridge Advisors Inc. employees may buy or sell securities in their personal accounts that are also purchased or sold in client accounts. Employees do not buy or sell securities or investment products directly with clients in which they benefit from the transaction. Employee accounts

may trade in the same securities with client accounts on an aggregated basis if best execution obligation is met. Clients and employees receive the same average price and commission and if the entire order is not filled, shares will be allocated on a pro rata basis. Also, if any trades may have a conflict of interest with a client, the portfolio manager should disclose the conflict to the client. The Code of Ethics is designed to allow employees of Cambridge Advisors Inc. to invest their own accounts and assure that personal securities transactions of the employees will not interfere with making decisions in the best interest of advisory clients. If a conflict of interest could occur, employees should pre-clear the trade with the Chief Compliance Officer. Employee trading is continually monitored to reasonably prevent conflicts of interest between Cambridge Advisors Inc. and our clients. If you would like to receive a copy of our Code of Ethics, please contact Lori Liffing.

### **Item 12 – Brokerage Practices**

Cambridge Advisors Inc. has custodial relationships with several firms. Most client accounts are held with Charles Schwab Institutional although in some specific cases, the account must be held at an alternative custodian. Our evaluation of a custodian is based on what would be best for our clients and provide an efficient operation for our firm. Through Charles Schwab Institutional, we receive best execution when placing trades in client accounts and their commissions are very reasonable. Equity trades are \$19.95 or less and mutual fund trades have a maximum \$49.95 transaction fee. The client assets are protected with SPIC insurance and additional coverage. Charles Schwab Institutional provides our clients with adequate reporting and Internet access to their accounts. Clients can also contact Schwab directly concerning their accounts. For our firm, Charles Schwab Institutional provides leading technology so that data can be easily downloaded into our portfolio management system, account tracking and maintenance tools that increase efficiency, research from leading providers, online trading, and practice management advice.

Special situations may mean an account cannot be held at Charles Schwab Institutional and is therefore held at another Custodian such as TD Ameritrade or a bank trust department or a trust company. In these cases, the custodian decision is client driven. If the custodian does not act as broker-dealer, trades may be executed at another firm such as Smith Hayes or D.A. Davidson as our experience with best execution and reasonable commissions has been positive with these firms. These and other brokers may also be used when buying individual fixed income investments as they may have an inventory of bonds that Charles Schwab Institutional does not have.

Clients may select another brokerage on their own if they desire. Cambridge Advisors Inc. may not be able to achieve the most favorable execution of client transactions when using an alternative arrangement and commissions may be higher.

Cambridge Advisors does not receive any financial compensation from placing trades with a particular broker and we do not participate in soft dollar arrangements. We do not receive referrals from custodians.

### **Item 13 – Review of Accounts**

Client accounts are under continuous review of the assigned portfolio manager. The portfolio manager reviews each account at least quarterly. During periodic client meetings, portfolio managers review with clients their asset allocation and factors surrounding the management of their assets. On a quarterly basis, the Chief Compliance Officer reviews trades in client accounts for consistency with investment committee recommendations.

On a quarterly basis, investment management clients receive a report from Cambridge Advisors Inc. which includes allocation, holdings, and performance information for assets under management. Upon request, they may receive additional reports for planning purposes.

You are encouraged to always compare any reports or statements provided by Cambridge Advisors or any third-party money manager or service provider against the account statements delivered from the qualified custodian. When you have questions about your account statement, you should contact our firm and the qualified custodian preparing the statement.

### **Item 14 – Client Referrals and Other Compensation**

Cambridge Advisors Inc. does not receive any economic benefit, sales awards or prizes for providing investment advice or other advisory services to our clients. We do not have any revenue sharing arrangements either. The only compensation we receive is the management fee on the account or the financial planning fee paid by the client.

### **Item 15 – Custody**

Clients should receive at least quarterly statements from Charles Schwab Institutional or an alternative qualified custodian that holds and maintains the client's investment assets. Cambridge Advisors Inc. urges you to carefully review your statements and compare the custodian's records to the reports we provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuations methodologies of certain securities.

### **Item 16 – Investment Discretion**

Cambridge Advisors Inc. usually receives discretionary authority from the client at the outset of an advisory relationship to select the security and amount to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives and investment policy for the client's account. By signing the forms to open an account, you give Cambridge Advisors Inc. a limited power of attorney to place these trades in your account. In addition, you may give Cambridge Advisors authority to request distributions to you on your behalf to your address of record and you may grant authority to us to deduct our

fee directly from the account. Any investment guidelines and restrictions must be provided to Cambridge Advisors Inc. in writing or can be indicated on an Investment Policy Statement.

### **Item 17 – Voting Client Securities**

Cambridge Advisors Inc. will vote proxies for our clients if desired. This election is made on the account application. Clients cannot direct how we vote, and if the client feels strongly about how a proxy should be voted, they should not elect to have Cambridge Advisors Inc. vote their proxies.

Cambridge Advisors has retained Broadridge to assist with Proxy Voting. Broadridge will vote proxies in accordance with Egan-Jones Ratings Co. guidelines. Proxies not voted by Broadridge are sent directly to Cambridge Advisors. When we receive a proxy, it is logged in as received and assigned to a member of the investment committee for voting. We will follow the Egan-Jones Rating Co. guidelines for voting. All proxies received for a company will be voted the same for all accounts. Although accounts under our management may hold many shares of a security, the total number of shares held is quite small compared to the number of voting shares and so our votes are often insignificant.

Clients may obtain a copy of the Egan-Jones Ratings Co. guidelines or records on how proxies were voted. To request either of these, please contact Lori Liffing.

### **Item 18 – Financial Information**

If Cambridge Advisors Inc.'s ability to meet contractual and fiduciary commitments to clients was impaired by our financial condition, we would disclose that to you here along with appropriate financial information. Our financial condition is not impaired and we have not been involved in bankruptcy proceedings.