

Form ADV Part 2A: *Firm Brochure*

Item 1 – Cover Page

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This brochure provides information about the qualifications and business practices of Donaldson Capital Management, LLC (DCM or the Firm). If you have any questions about the contents of this brochure, please contact Ciavon Hartman at (812) 421-3204 or at chartman@dcmol.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Donaldson Capital Management is also available on the Internet at www.adviserinfo.sec.gov. You can view DCM's information on this website by searching for Donaldson Capital Management. You may search for information by using either the Firm's name or by an identification number known as a CRD number. The CRD number for Donaldson Capital Management is **106131**.

Registration as an investment advisor does not imply a certain level of skill or training.

Item 2 – Material Changes

This Item discusses only the material changes that have occurred since Donaldson Capital Management's last annual update, filed March 24, 2020. The following material changes have been made:

- Item 4 was updated with the firm's assets under management as of 12/31/2020;
- Item 5 was updated to remove reference to a fee schedule no longer offered to new clients;
- Item 8 was updated to add a description of the quantD strategy;

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Item 4 – Advisory Business

General Description of Advisory Firm

Donaldson Capital Management (DCM) is an investment advisor registered with the United States Securities and Exchange Commission (SEC) and is a Limited Liability Company formed under the laws of the State of Indiana. DCM has been registered with the SEC since February 10, 1995.

The Firm is principally owned by Gregory C. Donaldson, Chairman and Director of Portfolio Strategy, and Michael D Hull, President. Neither has majority ownership of DCM, but together, they own approximately 60% of the Firm. The remaining interest in the firm is owned by various other Donaldson Capital Management employees.

Through Donaldson Capital Management, we offer and consider ourselves to specialize in providing personalized Investment Management Services. We employ investment strategies using individual stocks, bonds or a combination of both designed to best fulfill the needs of our clients, focusing on income and/or growth. We generally provide our services to individuals, pension and profit-sharing plans, trusts, estates, foundations, corporations and other business entities.

Clients are advised that the investment recommendations and advice offered by Donaldson Capital Management do not constitute legal or accounting advice. Therefore, you should coordinate and discuss the impact of financial advice with your attorney and/or accountant. Clients are advised that it is necessary to inform Donaldson Capital Management promptly with respect to any changes in their financial situation, investment goals and objectives. Failure to notify Donaldson Capital Management of any such changes could result in investment recommendations not meeting the needs of the client.

General Description of Primary Advisory Services

Investment Management Services - DCM provides advisory services in the form of Investment Management Services which involve providing clients with continuous and on-going supervision over client accounts. This means that Donaldson Capital Management will continuously monitor a client's account and make trades in client accounts when necessary. The Firm may provide investment management services directly to clients (*see One Fee – Investment Management Program*) or through platforms sponsored by unaffiliated investment advisor firms and broker-dealers (see Independent Money Manager Services described in Item 4.B). Regardless of the platform, our investment portfolios, strategies and recommendations are materially indifferent, Proprietary-retail clients may receive investment management, financial planning, and/or consulting services. Clients referred by unaffiliated investment advisers are not eligible to receive the Firm's financial planning services and other services received by the Firm's proprietary clients.

investment advisor firms are not eligible to receive the Firm's financial planning services and other services received by the Firm's proprietary clients.

A. One Fee - Investment Management Program

DCM primarily provides investment management services to clients through its One Fee Program. Participation in the One Fee Program is primarily facilitated by affiliated investment advisor representatives. However, clients of unaffiliated independent investment advisors contractually engaged by Donaldson Capital Management are also eligible for the One Fee Program, as described below in Item 4(B). Through this program clients engage the Firm to design an investment portfolio and provide

ongoing corresponding investment management services on a *fee-only* basis. This service is structured so that the Firm will serve as the sole investment advisor to the account.

Donaldson Capital Management may allocate investment management assets of its client accounts, on a discretionary or non-discretionary basis, among one or more of its proprietary investment management portfolio strategies (i.e., *Cornerstone*, *Capital Builder*, *Income Builder*, *Sectors*, *Endowment – Cornerstone*, *Endowment – Capital Builder*, *Endowment – Income Builder*, and *Preservation of Capital*). Additional details and disclosures regarding the Firm's investment management portfolio strategies (management styles) are provided to clients via separate documentation prior to or at the time a portfolio strategy is determined. Please also refer to Item 8 of this Disclosure Brochure for more information.

Clients will be provided one or more of the following services:

- A detailed Discovery Process during the first meeting that is designed to gather important factors regarding each client's particular situation;
- The presentation of an Investment Plan designed specifically for each client before becoming a client;
- A Retirement Income Plan designed to outline the income needs for a client during retirement;
- A Progress Review during the first sixty days to let the client understand how the strategies in the Investment Plan are being implemented;
- A daily reconciliation of every account to ensure that all transactions, positions, and prices have been properly updated;
- Portfolio Quality Assurance conducted, no less often than quarterly, adjusting every account, as needed, to Advisor's model portfolios;
- Periodic review of account performance;
- Regularly scheduled personal portfolio reviews;
- Quarterly Reports that include;
 - A detailed appraisal of assets under management;
 - Estimated income being generated by each portfolio; and
 - An advisory letter written by the Investment Policy Committee.
- Year-end tax reporting information; and
- Reconciliation and decision-making concerning: tenders, spin-offs and mergers

Prior to Donaldson Capital Management providing investment management services, the client will be required to enter into a formal *Investment Advisory Services Agreement* with DCM setting forth the terms and conditions under which we shall manage the client's assets, and a separate custodial/clearing agreement with the broker-dealer/custodian. Both the Firm's investment advisory agreement and the broker-dealer/custodian's custodial/clearing agreement may authorize the broker-dealer/custodian to debit the account for the amount of our investment management fee and to directly remit that management fee to Donaldson Capital Management.

In performing its services, the Firm shall not be required to verify any information received from the client or from the client's other professionals and is expressly authorized to rely thereon. Moreover, each client is advised that it remains the client's responsibility to promptly notify DCM if there are ever any changes in the client's financial situation or investment objectives for the purpose of reviewing/evaluating/revising our previous recommendations and/or services.

Donaldson Capital Management generally recommends, and in some cases may require, clients establish accounts at TD Ameritrade as a result of the Firm's participation in the TD Ameritrade Institutional

program for advisors. We also recommend, and in some cases may require, clients establish accounts at National Financial Services LLC (NFS) through the Fidelity Institutional Wealth Services platform.

TD Ameritrade Institutional is a division of TD Ameritrade, Inc. (TD Ameritrade) member FINRA/SIPC. TD Ameritrade is an independent and unaffiliated SEC-registered broker-dealer.

NFS also an SEC-registered broker-dealer, member FINRA/SIPC. NFS is an affiliated company of Fidelity, but DCM is not affiliated with either NFS or Fidelity.

TD Ameritrade and NFS serve as qualified custodians for the client's funds and securities. In rare situations and upon approval of Donaldson Capital Management, a client may select a broker-dealer other than TD Ameritrade or NFS to serve as qualified custodian. For more details on the arrangement between Donaldson Capital Management, TD Ameritrade, Fidelity and client-directed brokerage arrangements, see Item 12 of this Disclosure Brochure.

Clients in the One Fee Program are charged an investment management fee based upon a percentage of the market value of the assets being managed by Donaldson Capital Management. The annual investment management fee rate charged shall vary (generally between 0.5% and 1.50%) depending upon the market value of assets under management and the specific type of investment management services to be rendered.

Our firm's investment adviser representatives ("IARs") act as portfolio manager(s) for the One Fee Program. Although other investment advisory firms may charge the same or lower fees than our firm for similar services, although you will not have access to DCM strategies or portfolio managers, a conflict arises in that.

B. Donaldson Capital Management Independent Money Manager Services

Donaldson Capital Management also provides its investment management services to clients through programs sponsored by unaffiliated investment advisors and/or broker-dealers. These programs may be general asset allocation programs. Through these programs, DCM will be available to clients for selection as an independent money manager.

Under this program, Clients must establish an account directly with the program sponsor. All applicable contracts and account paperwork will be completed by the client with the assistance of the program sponsor representative. The program sponsor representative will obtain the necessary financial data from the client, assist the client in determining suitability, and help the client to set the appropriate investment objectives. The program sponsor will then provide all necessary information to Donaldson Capital Management. The program sponsor representative will meet periodically to review the client's financial situation, investment objectives, and current portfolios and then make any necessary changes to the Firm portfolio strategy selection, notice of which will be sent to DCM. A representative of the program sponsor will be responsible for providing Donaldson Capital Management's disclosure brochure. Depending on the money manager program, a DCM client agreement will also be provided to the client.

Donaldson Capital Management will have the power and authority, as granted by the client through the program sponsor contract, to make investment decisions over the portion of the client's assets delegated to the Firm. Depending on the specific program, clients may also be required to execute an investment management agreement directly with the Firm. Donaldson Capital Management will be responsible for executing transactions in the client's account on a discretionary or non-discretionary basis as outlined in the agreement.

Accounts established through a program sponsored by an unaffiliated investment advisor and/or broker-dealer will be held and cleared through a broker-dealer selected by the program sponsor, pursuant to a relationship between the sponsor and the clearing broker-dealer. The program sponsor reserves the right to designate alternative clearing and custody arrangements similar to those of its preferred clearing broker-dealer. Custody of funds and securities is maintained by the various clearing firms, not by Donaldson Capital Management.

C. Investment Consulting Services

We also provide investment consulting services in the form of oral advice and written recommendations. Investment consulting services may cover, but are not limited to, the following topics: portfolio analysis, asset allocation strategies, and specific investment recommendations. The Firm may provide consulting services on accounts and other investment holdings owned by the client but not included under the Firm's investment management services. These are accounts for which trading authorization is not granted to DCM. Clients signing up for this service must understand that the Firm does not provide on-going reviews of accounts through this service and information about such accounts is limited to information provided exclusively by the client. Clients always have the sole discretion to accept or reject DCM's advice. The client must implement all trades in such accounts because the Firm will have no access to the account.

D. Financial Planning Services

DCM does not hold itself out as providing financial planning services separately from our investment management services. Per request, we offer to our investment management clients financial planning services on the following investment-related topics: retirement planning, tax planning, education funding, etc. The investment management client will receive a one-time written plan that is subject to updates as circumstances dictate. Normally, DCM will not charge a separate fee for these services unless specified in our signed Investment Advisory Agreement. If, at DCM's sole discretion, DCM determines the client requires extraordinary planning and/or consultation services, DCM may assess a charge for additional services, the amount which shall be set forth in a separate written and signed agreement with the client.

E. Types of Investments Used

Donaldson Capital Management provides investment advice on the following types of investments.

- No-Load (i.e. no trading fee) and Load-Waived (i.e. trading fee waived) Mutual Fund Shares
- Exchange-listed securities (i.e. stocks)
- Securities traded over-the-counter (i.e. stocks)
- Fixed income securities (i.e. bonds)
- Closed-End Funds and Exchange Traded Funds (ETFs)
- Foreign Issues
- Warrants
- Corporate debt securities (other than commercial paper)
- Commercial paper
- Certificates of deposit
- Municipal securities
- Variable life insurance
- Variable annuities
- United States government securities

- Options contracts on securities and commodities
- Interests in partnerships investing in real estate, oil and gas interests

Donaldson Capital Management does not provide advice on futures contracts on tangibles or intangibles or hedge funds and other types of private (i.e. non-registered) securities.

When providing Investment Management Services, DCM will typically construct each client's account holdings using equities, fixed income or a combination of both to build a diversified portfolio based on the client's financial situation and investment objectives. It is not Donaldson Capital Management's typical investment strategy to attempt to time the market but we may increase cash holdings modestly as deemed appropriate, based on your risk tolerance and our expectations of market behavior. We may modify our investment strategy to accommodate special considerations such as -- low basis stock, stock options, legacy holdings, inheritances or special tax situations. If requested, a client may impose reasonable restrictions on investing in certain securities or certain types of securities.

Please refer to Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss for more information.

F. Retirement Plan Services

DCM provides retirement plan services to employer plan sponsors on an ongoing basis. Generally, such services consist of assisting employer plan sponsors in establishing, monitoring and reviewing their company's participant-directed retirement plan. As the needs of the plan sponsor dictate, areas of advising could include investment options, plan structure and participant education. Retirement plan services may include the following depending on whether the relationship is a 3(21) fiduciary relationship or a 3(38) fiduciary relationship:

- For 3(38) relationships, DCM will provide discretionary investment advice to clients about the investment alternatives available for the Plan in accordance with the Plan's Investment Policy Statement. DCM will have final decision-making authority regarding the initial selection, retention, and removal of investment options. For 3(21) fiduciary relationships, DCM will provide similar services however the Plan trustees retain the final decision-making authority regarding the selection, retention, and removal of investment options.
- Establishing an Investment Policy Statement – Our firm will assist in the development of a statement that summarizes the investment goals and objectives along with the broad strategies to be employed to meet the objectives.
- Prepare periodic investment advisory reports that document consistency of fund management and performance to the guidelines set forth in the Investment Policy Statement and make recommendations and decision to maintain or remove and replace investment options. Asset Allocation and Portfolio Construction – Our firm will develop strategic asset allocation models to aid Participants in developing strategies to meet their investment objectives, time horizon, financial situation and tolerance for risk.
- Meet with Client on a periodic basis to discuss reports, recommendations, and decisions.
- Provide investment advice to Client with respect to the selection of a qualified default investment alternative for participants who fail to make an investment election. If serving in a 3(38) fiduciary role, DCM will have the discretionary authority to make such decisions on the Plan's behalf.

All retirement plan services are provided in compliance with the applicable federal and state laws regulating retirement services. This applies to client accounts that are retirement or other employee

benefit plans ("Plan") governed by the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). If the client accounts are part of a Plan, and our firm accepts appointment to provide services to such accounts, our firm acknowledges its fiduciary standard within the meaning of Section 3(21) or 3(38) of ERISA as designated by the agreement with respect to the provision of services described therein.

Tailor Advisory Services to Individual Needs of Clients

When managing client accounts through the Firm's Investment Management Services program, DCM may allocate investment management assets of its client accounts, on a discretionary or non-discretionary basis, among one or more of its proprietary investment management portfolio strategies (management styles) developed and monitored by our Investment Policy Committee (IPC). When client accounts are managed using one or more of our proprietary portfolio strategies (management styles), investment selections are based on the underlying model(s) and we may not necessarily develop customized (or individualized) portfolio holdings for each client. However, the determination to use a particular model or models is always based on each client's individual investment goals and objectives.

To determine which management style best suits the needs of a client, a DCM Portfolio Manager or a third party investment advisor representative conducts an initial interview with the client during which time the Portfolio Manager or third party investment advisor representative obtains from the client information sufficient to determine the client's financial situation and investment goals and objectives. The Portfolio Manager or third-party investment advisor representative will describe the different management styles Donaldson Capital Management offers that might be most beneficial and appropriate in light of the client's responses and objectives. Then, a portfolio strategy (management style) is chosen by agreement with the client for each account.

Because Donaldson Capital Management specializes in generating income for clients, which investment management portfolio strategy (management style) and asset allocation are chosen depends in large part on how much income the client needs. Beyond that, personal risk tolerance and time horizon are factored into the decision.

Each equity model is comprised of roughly thirty securities and each client account is uniquely tailored to that particular client as a result of the investment decisions the Portfolio Manager makes. The client's account(s) is managed on the basis of the client's financial situation and investment objectives. Different clients whose accounts are managed using the same portfolio strategy may not be invested in all of the securities included in the underlying model and different clients whose accounts are managed using the same portfolio strategy may not be invested in exactly the same securities.

Clients are advised to promptly notify Donaldson Capital Management if there are ever any changes in their financial situation or investment objectives, or if they wish to impose any reasonable restrictions upon the Firm's management services.

Please refer to Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss for more information.

Client Assets Managed by Donaldson Capital Management

As of December 31, 2020, Donaldson Capital Management managed a total of \$2,141,705,242. \$2,018,120,165 is managed on a discretionary basis and \$123,585,077 is managed on a non-discretionary basis.

Item 5 – Fees and Compensation

1. Investment Management Services

A. One Fee - Investment Management Program

Proprietary Clients in the Program

For Donaldson Capital Management's proprietary clients, DCM will retain the entirety of the investment management fee. The following is the basic fee schedule charged to DCM's proprietary clients.

<u>Market Value of Portfolio Assets</u>	<u>Annual Fee</u>
First \$500,000	1.500%
Next \$1,000,000	1.000%
Next \$2,000,000	0.875%
Next \$3,000,000	0.750%
Over \$6,500,000	0.500%
Over \$10,000,000	Negotiable

Our fee schedules are negotiable and have changed over time, therefore some clients will be charged fees higher or lower than the than our current fee schedule.

Account Minimums

Donaldson Capital Management generally imposes a minimum household value of \$500,000 for investment management services. Donaldson Capital Management, in its sole discretion, may charge a lesser management fee and/or reduce or waive the account client minimum based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, type of services required, account composition, negotiations with client).

Donaldson Capital Management or the third-party investment advisor collects financial and demographic information and will assist the client in identifying their financial objectives by filling out the Firm's client questionnaire. Donaldson Capital Management or the third-party investment advisor will describe the different investment programs available from the Firm that may be most beneficial and appropriate given the client objectives in light of the client's responses.

Miscellaneous Fees

Clients participating in programs other than One Fee Program also incur transaction charges, commissions, or redemption fees charged by the broker-dealer/custodian. If the client purchases mutual funds, they may also incur charges imposed directly at the mutual fund level (i.e. fund advisory fees and expenses) in addition to transaction charges, commissions, or redemption fees charged by the broker-dealer/custodian. The Firm does not receive any portion of the brokerage commissions or transaction fees charged to the client in connection with a money manager program. In certain situations, clients may incur additional transaction fees due to the firm "trading away" from its primary custodian or establishing a prime brokerage arrangement on behalf of the client. We describe these additional charges in *Item 12 Ability to Select Fixed Income (Bond) Broker-Dealers*.

Clients may incur certain charges imposed by the program sponsor and other third parties, other than Donaldson Capital Management, in connection with investments made through a money manager

program Account, including but not limited to, mutual fund sales loads, 12b-1 fees and surrender charges, IRA and qualified retirement plan fees.

Account Termination

The investment advisory agreement between Donaldson Capital Management and the client will continue in effect unless terminated by either party by written notice in accordance with the terms and conditions of the *Investment Advisory Services Agreement*. The Firm's investment management fee shall be prorated through the date of termination. After DCM receives notice of termination, all transaction expenses generated as a result of requests made by the client, new advisor, agent, or custodian become the financial responsibility of the client.

Rollovers & Transfers

Our firm has an inherent conflict of interest in recommending you rollover or transfer your accounts to an account managed by Donaldson Capital Management since we have an incentive to generate compensation for the firm.

B. Donaldson Capital Management Independent Money Manager Services

Participants in a program will pay an annualized investment advisory fee to the Firm generally not to exceed .600% of the assets under the Firm's management. The following is the basic fee schedule charged by Donaldson Capital Management to clients using the Firm through its **third-party money manager services**.

<u>Market Value of Portfolio Assets</u>	<u>Annual Fee</u>
First \$500,000	0.600%
Next \$1,000,000	0.500%
Next \$2,000,000	0.450%
Next \$3,000,000	0.375%
Over \$6,500,000	0.250%
Over \$10,000,000	Negotiable

The independent money manager will typically charge the client their own fee, so the total annual fee charged to clients through programs not sponsored by the Firm may be higher than the maximum fee Donaldson Capital Management charges its proprietary clients. Therefore, clients of programs sponsored by third-party investment advisors and broker-dealers may pay higher fees than if the client would have contracted directly with Donaldson Capital Management. Depending on the program, the Firm's fee will either be charged in addition to the overall program fee charged to a client or included in the program fee charged to the client. Our fee schedules are negotiable and have changed over time, therefore some clients will be charged fees higher or lower than the than our current fee schedule.

In accordance with the program sponsor's billing arrangements, Donaldson Capital Management will provide the program sponsor, broker-dealer, or account custodian a quarterly invoice. The Firm's fees are then billed and collected by the program sponsor, broker-dealer, or account custodian and remitted directly to Donaldson Capital Management. Clients should refer to the program sponsor's disclosure brochure and contract for a full description of all fees and billing arrangements related to the program.

Donaldson Capital Management does not receive any portion of the brokerage commissions or transaction fees charged to the client in connection with a money manager program. Clients may incur certain charges imposed by the program sponsor and other third parties, other than Donaldson Capital

Management, in connection with investments made through a money manager program Account, including but not limited to, mutual fund sales loads, 12b-1 fees and surrender charges, IRA and qualified retirement plan fees.

2. Investment Consulting Services

Donaldson Capital Management provides investment consulting services in the form of oral advice and written recommendations. Investment consulting services may cover, but are not limited to, the following topics: portfolio analysis, asset allocation strategies, and specific investment recommendations. The Firm provides consulting services on accounts and other investment holdings owned by the client but not included under DCM's investment management services. These are accounts for which trading authorization is not granted to the Firm. Examples include a client's 401(k) or other retirement account, 529 college planning account, and other accounts held "away" from the Firm's platform. Clients must understand that the Firm does not provide on-going reviews of such accounts, and information about such accounts is limited to information provided exclusively by the client. When Donaldson Capital Management provides consulting advice on accounts and investments, the client will have the sole discretion to accept or reject the Firm's advice. The client must implement all trades in such accounts because the Firm will have no access to the account.

Fees for consultation services are charged on an hourly basis at a rate of \$150 per hour. All fees will be disclosed to clients prior to any services being provided. However, the hourly fee may be negotiable based on the actual services requested, the time required to complete the consultations, the qualifications and experience of the advisory representative providing the consultations, and the complexity of the client's situation. For hourly charges, the specified hourly rate will be multiplied by the estimated number of hours needed to complete the consultations to compute the estimated total fee. If more time is needed than the original estimate, the advisory representative will not continue with the engagement until the clients have agreed to the additional time. Clients will be billed, in arrears, for the actual time spent on consultations.

Fees are due and payable upon completion of the consultations and the client's receipt of an invoice from Donaldson Capital Management. The Firm or clients may terminate consultation services at any time by providing written notice to the other party and the termination will be effective immediately. If services are terminated within five business days of signing the agreement, they will be terminated with no penalty. For termination requests received after the initial five business days, clients will be responsible for the time expended by the advisory representative to the date notice of termination is received. Donaldson Capital Management will provide an invoice detailing the time expended by the advisory representative and the amount due from clients.

In addition, if clients wish to implement Donaldson Capital Management's advice through the Firm's investment management program, we may waive or reduce the amount of the consulting as a result of the fees paid by the client for the investment management services. Any adjustment to the consulting fee is at the discretion of our Firm and will be disclosed to clients prior to establishing an investment management agreement.

Clients are free to implement any or all of the recommendations made by Donaldson Capital Management with another financial institution and are not obligated in any manner to implement the advice of Donaldson Capital Management through the Firm.

When implementing Donaldson Capital Management's recommendations or any other investment recommendation, clients need to be aware that standard commissions, custodial fees, and transaction

fees may be charged to the client. Clients may incur certain charges imposed by third parties, other than the Firm, in connection with investments made through an investment account, including but not limited to, mutual fund sales loads, 12b-1 fees and surrender charges, IRA and qualified retirement plan fees.

3. Financial Planning Services

The fee for financial planning is dependent upon the issues to be reviewed and the complexity of the client's financial situation. It is a one-time project fee that typically ranges between \$2,000 and \$8,000. The fee is negotiable at DCM's discretion. The fee is determined and agreed upon by the client prior to commencement of any work. A \$500 initial deposit is required, and the remaining financial planning fee will be invoiced over three equal monthly payments. The client may cancel this service with a written notice; however, the client will remain obligated to pay the full financial planning fee, or an agreed upon portion of the fee.

4. Retirement Plan Services

The fee for retirement plan services is generally charged based on the percentage of Plan assets under management. The total estimated fee, as well as the ultimate fee charged, is based on the scope and complexity of our engagement with the client. Fees based on a percentage of managed Plan assets will generally not exceed 1%. The fee-paying arrangements will be determined on a case-by-case basis and will be detailed in the signed agreement. Annual management fees are paid in advance on a quarterly basis and are detailed in Schedule A of the Plan's agreement with DCM. DCM management fees are calculated based on the closing price of the total Plan Assets on the last day of the previous calendar quarter.

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

Item 6 of the Form ADV Part 2 instructions is not applicable to this Disclosure Brochure because Donaldson Capital Management **does not charge or accept performance-based fees** which can be defined as fees based on a share of capital gains on or capital appreciation of the assets held within a client's account.

Item 7 – Types of Clients

Donaldson Capital Management generally provides investment advice to the following types of clients:

- Individuals
- High-Net Worth Individuals
- Pension and profit-sharing plans
- Trusts, estates, or charitable organizations
- Corporations or business entities other than those listed above

All clients are required to execute an agreement for services in order to establish a client arrangement with Donaldson Capital Management and/or the sponsor of third-party money manager platforms.

Minimum Investment Amounts Required

Donaldson Capital Management requires a minimum investment amount of \$500,000 for its investment management services. Exceptions to these minimums may be granted by the Firm.

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

Donaldson Capital Management uses the following methods of analysis in formulating investment advice.

Fundamental - Fundamental analysis of a security involves analyzing everything that can affect its value such as its business financial statements and health, its management and competitive advantages, and its competitors and markets. This method of security analysis is considered to be the opposite of technical analysis. Fundamental analysis is about using real data to evaluate a security's value. Although most analysts use fundamental analysis to value stocks, this method of valuation can be used for just about any type of security.

Technical - Technical analysis of a security maintains that all information is reflected already in the stock price. It is a method of evaluating securities by analyzing statistics generated by market activity, such as past prices and volume. Technical analysts do not attempt to measure a security's intrinsic value, but instead use charts and other tools to identify patterns that can suggest future activity. Technical analysts believe that the historical performance of stocks and markets are indications of future performance.

Statistical – Statistical analysis of a security involves finding historical relationships between stock prices and other variables. In the Firm's case, the most common relationship used is between dividend growth and price growth.

Donaldson Capital Management uses the following investment strategies when managing client assets and/or providing investment advice.

- ✓ Long term purchases - Investments held at least a year.
- ✓ Short term purchases - Investments sold within a year.
- ✓ Trading - Investments sold within 30 days.
- ✓ Short sales. A short sale is generally the sale of a stock not owned by the investor. Investors who sell short believe the price of the stock will fall. If the price drops, the investor can buy the stock at the lower price and make a profit. If the price of the stock rises and the investor buys it back later at the higher price, the investor will incur a loss. Short sales require a margin account.
- ✓ Margin transactions. When an investor buys a stock on margin, the investor pays for part of the purchase and borrows the rest from a brokerage firm. For example, an investor may buy \$5,000 worth of stock in a margin account by paying for \$2,500 and borrowing \$2,500 from a brokerage firm. Clients cannot borrow stock from Donaldson Capital Management.
- ✓ Option writing including covered options, uncovered options, or spreading strategies. Options are contracts giving the purchaser the right to buy or sell a security, such as stocks, at a fixed price within a specific period of time.

As stated in Item 4 of this Disclosure Brochure, clients will be interviewed for the purpose of gathering sufficient information to determine the most appropriate investment portfolios given their unique investment mandates. All clients receive supplemental information from our Firm that provides greater detail of our various investment portfolios – generally found in our investment advisory agreement. The

following are brief descriptions of our standard investment portfolios (i.e. models) along with any unique risks associated with the portfolios.

1. Rising Dividend Equities -

- a. Cornerstone – invests primarily in common stocks of companies that have both a current dividend yield greater than that of the Standard and Poor's 500 Stock Index (S&P 500) and what we believe to be a higher-than-average projected dividend growth rate. This style seeks a combination of capital appreciation and growing income. While these companies are generally less volatile than the average stock, investors must be able to assume the risk and volatility that is inherent with investing in stocks.
 - b. Capital Builder – invests primarily in the common stocks of companies with mid to large capitalization that have demonstrated an ability to produce growth of sales, earnings, and to a lesser degree, dividends, at a rate greater than that of the average company. This style of management is for investors who are financially able to assume the risk and volatility of investing in stocks in exchange for the potential rewards of long-term capital appreciation.
 - c. Income Builder – invests primarily in companies that have dividend yields two to four times higher than the average company in the S&P 500. Like the other Rising Dividend management styles, companies in this investment style will normally be larger, well-established companies. This style of management is suited for investors who are willing to trade future growth of principal and income for a higher level of current income. The market prices for these companies typically do not follow the prices for the stock market in general. These companies can, because they pay out large portions of their annual earnings in dividends, expose investors to a different set of risks than the typical publicly-traded company.
 - d. Sectors – invests primarily in Exchange-Traded Funds (ETFs) and index funds, and in larger accounts, individual companies. This style seeks to take advantage of current macro-economic trends. The allocations in this portfolio change across industry sectors as those same allocations change in DCM management styles that hold individual securities. Investing in securities involves risk of loss that clients should be prepared to bear.
2. Endowment - seeks to produce a stable yet growing stream of income by combining fixed income securities such as those described in Preservation of Capital with any of DCM's three Rising Dividend Management Styles: Cornerstone, Capital Builder, or Income Builder.
3. Preservation of Capital – primary objective is safety of principal. A portfolio for clients seeking limited volatility and a high, secure level of income. Fixed income securities, whether corporate, government, or municipal bonds, will represent the primary types of investments utilized in this style of management. It may also include preferred stocks and collateralized mortgage obligations. Selection of this management style implies both a level of risk and an assumed total return significantly less than that of common stocks in general.
4. quantD Strategy – invests primarily in common stocks issued by large, well-established companies with strong cash flows. Portfolios included would have equity allocation targets of between 0% - 100% of total portfolio market value. The balance of the portfolio (0% - 100% of total market value, inclusive) consists of Investment Grade rated government and corporate bonds and cash. The accounts may occasionally also invest in Exchange Traded Funds (ETFs) depending on market conditions. The strategy is generally limited to investing in 50 common stock securities plus 0-5 ETFs, the quantD strategy.

Risk of Loss

Clients must understand that past performance is not indicative of future results. Therefore, current and prospective clients (including you) should never assume that future performance of any specific investment or investment strategy will be profitable. Investing in securities (including stocks, mutual funds, and bonds) involves risk of loss. Further, depending on the different types of investments there may be varying degrees of risk. Clients and prospective clients should be prepared to bear investment loss including loss of original principal.

Because of the inherent risk of loss associated with investing, DCM is unable to represent, guarantee, or even imply that our services and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines. There are certain additional risks associated when investing in securities through our investment management program.

- **Equity (Stock) Market Risk** – Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. If you held common stock, or common stock equivalents, of any given issuer, you would generally be exposed to greater risk than if you held preferred stocks and debt obligations of the issuer.
- **Company Risk** -- When investing in stock positions, there is always a certain level of company or industry specific risk that is inherent in each investment. This is also referred to as unsystematic risk and can be reduced through appropriate diversification. There is the risk that the company will perform poorly or have its value reduced based on factors specific to the company or its industry. For example, if a company's employees go on strike or the company receives unfavorable media attention for its actions, the value of the company may be reduced.
- **Fixed Income Risk** -- When investing in bonds, there is the risk that issuer will default on the bond and be unable to make payments. Further, individuals who depend on set amounts of periodically paid income face the risk that inflation will erode their spending power. Fixed-income investors receive set, regular payments that face the same inflation risk.
- **Options Risk** -- Options on securities may be subject to greater fluctuations in value than an investment in the underlying securities. Purchasing and writing put and call options are highly specialized activities and entail greater than ordinary investment risks.
- **ETF and Mutual Fund Risk** – When our Firm invests in an ETF or mutual fund, it will bear additional expenses based on its pro rata share of the ETFs or mutual fund's operating expenses, including the potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities the ETF or mutual fund holds. Clients will also incur brokerage costs when purchasing ETFs.

- Management Risk – Your investment with our Firm varies with the success and failure of our investment strategies, research, analysis and determination of portfolio securities. If our investment strategies do not produce the expected returns, the value of the investment will decrease.
- Margin Risk -- When you purchase securities, you may pay for the securities in full or you may borrow part of the purchase price from your broker/dealer. If you intend to borrow funds in connection with your account, you will be required to open a margin account, which will be carried by the broker/dealer of your account. The securities purchased in such an account are the broker/dealer's collateral for its loan to you.

If the securities in a margin account decline in value, the value of the collateral supporting this loan also declines, and, as a result, a brokerage firm is required to take action, such as issue a margin call and/or sell securities or other assets in your accounts, in order to maintain necessary level of equity in the account.

It is important that you fully understand the risks involved in trading securities on margin, which are applicable to any margin account that you may maintain, including any Margin Account that may be established as a part of our Investment Management Services and held by your broker/dealer. These risks include the following:

- You can lose more funds than you deposit in your margin account.
- The broker/dealer can force the sale of securities or other assets in your account.
- The broker/dealer can sell your securities or other assets without contacting you.
- You are not entitled to choose which securities or other assets in your margin account that may be liquidated or sold to meet a margin call.
- The broker/dealer may move securities held in your cash account to your margin account and pledge the transferred securities.
- The broker/dealer can increase its "house" maintenance margin requirements at any time and are not required to provide you advance written notice.
- You are not entitled to an extension of time on a margin call.

Item 9 – Disciplinary Information

This item is not applicable to our brochure because there are no legal or disciplinary events listed at Item 9 of the Form ADV Part 2 instructions that are material to a client's or prospective client's evaluation of our business or integrity.

Item 10 – Other Financial Industry Activities and Affiliations

Donaldson Capital Management is an independent investment advisory firm and only provides investment advisory services. The Firm is not engaged in any other business activities and offers no other services than those described in this Disclosure Brochure. We do not have any arrangements whereby we recommend (or refer) clients to a third-party investment advisor.

Donaldson Capital Management is **not** and does **not** have a related company or employee that is a (1) broker/dealer, municipal securities dealer, government securities dealer or broker, (2) investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund), (3) other

investment adviser or financial planner, (4) futures commission merchant, commodity pool operator, or commodity trading advisor, (5) banking or thrift institution, (6) lawyer or law firm, (7) insurance company or agency, (8) pension consultant, (9) real estate broker or dealer, or (10) sponsor or syndicator of limited partnerships.

Arrangement with Kemper CPA Group, LLP

One of Donaldson Capital Management's investment advisor representatives, Marvin Wright, provides tax and business consulting services through Kemper CPA Group, LLP. If appropriate, advisory clients of Donaldson Capital Management may be referred to Mr. Wright in his separate capacity as a tax and business consultant of Kemper CPA Group, LLP or to other tax and accounting professionals of Kemper CPA Group, LLP for such services.

If clients elect to use these services, charges for tax or accounting services provided will be separate from fees charged for advisory services provided by Donaldson Capital Management, LLC. All tax and business consulting service fees earned by Mr. Wright for his work through Kemper CPA Group, LLP will be transferred by Mr. Wright to Donaldson Capital Management. Therefore, although Donaldson Capital Management and Kemper CPA Group, LLP are not affiliated companies, Donaldson Capital Management has an economic incentive to recommend Kemper CPA Group, LLP over other tax and accounting firms. This creates a conflict between Donaldson Capital Management and the interests of clients in that Donaldson Capital Management's decision to recommend Mr. Wright and Kemper CPA Group, LLP may be primarily based on the receipt of consulting fees paid to Kemper CPA Group, LLP rather than making a recommendation based exclusively on the level and type of services provided to clients.

To control for this conflict of interest, DCM provides full disclosure of our arrangement with Kemper CPA Group, LLP. Further, Donaldson Capital Management clients are neither obligated nor required to work with Kemper CPA Group, LLP and can retain the services of any other tax or accounting firm they choose.

Clients of Kemper CPA Group, LLP may also be referred to Donaldson Capital Management. However, DCM does not compensate or provide a referral fee to Kemper CPA Group, LLP for such referrals.

Board Members

Certain clients of Donaldson Capital Management, LLC serve on the Firm's Advisory Board and have a minority stake in the Adviser. This relationship may enable the clients serving on the Board to potentially obtain information that otherwise would not be accessible for other clients and possibly influence decisions at the Adviser in their best interests. The Adviser attempts to mitigate this conflict by designating the clients serving on the board as "Access Persons". As a designated access person, the clients must report to the Chief Compliance Officer all outside affiliations, personal brokerage transactions, and attest that they have complied with all provisions set forth in the Firm's compliance manual among other items. While this does not eliminate the conflict, it does allow the Firm to monitor the activity of the board members and spot any potential misuse of Firm information.

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

Code of Ethics Summary

Donaldson Capital Management, as a matter of policy and practice, and consistent with industry best practices and SEC requirements (SEC Rule 204A-1 under the Investments Advisers Act of 1940), has adopted a written Code of Ethics covering all supervised persons. Our Firm's Code of Ethics requires high

standards of business conduct, compliance with federal securities laws, reporting and recordkeeping of personal securities transactions and holdings, reviews and sanctions.

This Code establishes rules of conduct for all employees of Donaldson Capital Management and is designed to, among other things, govern personal securities trading activities in the accounts of employees. The Code is based upon the principle that our Firm and its employees owe a fiduciary duty to our clients to conduct their affairs, including their personal securities transactions, in such a manner as to avoid (i) serving their own personal interests ahead of clients, (ii) taking inappropriate advantage of their position with the Firm and (iii) any actual or potential conflicts of interest or any abuse of their position of trust and responsibility.

The Code is designed to ensure that the high ethical standards long maintained by Donaldson Capital Management continue to be applied. The purpose of the Code is to preclude activities which may lead to or give the appearance of conflicts of interest, insider trading and other forms of prohibited or unethical business conduct. The excellent name and reputation of our Firm continues to be a direct reflection of the conduct of each employee.

Pursuant to Section 206 of the Advisers Act, both Donaldson Capital Management and its employees are prohibited from engaging in fraudulent, deceptive or manipulative conduct. Compliance with this section involves more than acting with honesty and good faith alone. It means that Donaldson Capital Management has an affirmative duty of utmost good faith to act solely in the best interest of its clients.

Clients may request a complete copy of the Firm's Code of Ethics by contacting Donaldson Capital Management directly.

Affiliate and Employee Personal Securities Transactions Disclosure

Donaldson Capital Management or its associated persons may buy or sell for their personal accounts, investment products identical to those recommended to clients. This creates a potential conflict of interest. To control for this conflict of interest, it is the express policy of Donaldson Capital Management that all persons associated in any manner with the Firm must place the interests of our clients ahead of their own when implementing personal investments. Donaldson Capital Management and its associated persons shall not buy or sell securities for their personal account(s) where their decision is derived, in whole or in part, by information obtained as a result of his/her employment unless the information is also available to the investing public upon reasonable inquiry. Generally speaking, securities recommended by Donaldson Capital Management are widely held and publicly traded. As stated above, we have developed policies and procedures to review and monitor the personal trading of our personnel. Procedures are designed to ensure our personnel are not taking advantage of client positions.

Item 12 – Brokerage Practices

Clients are under no obligation to act on the investment recommendations of Donaldson Capital Management. If the Firm assists in the implementation of any recommendations, we are responsible to ensure that the client receives the best execution possible.

Advisor Directed Brokerage Recommendations

TD Ameritrade

For proprietary clients, and clients of third-party independent investment advisors, opening an account through Donaldson Capital Management's One Fee Program, the Firm generally recommends (and in some cases requires) the use of TD Ameritrade. Donaldson Capital Management participates in the TD Ameritrade Institutional program for advisors. TD Ameritrade Institutional is a division of TD Ameritrade, Inc., ("TD Ameritrade") member FINRA/SIPC. TD Ameritrade is an independent and unaffiliated SEC-registered broker-dealer. It offers to independently registered investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. The following paragraphs describe additional benefits Donaldson Capital Management receives from TD Ameritrade through its participation in the program (Please see the disclosure under Item 14 below).

It should be noted that not all investment advisory firms require or even recommend the use of a specific brokerage platform. By directing clients to open accounts through TD Ameritrade, DCM may be unable to achieve the most favorable execution of client transactions and the use of TD Ameritrade may be more expensive than other brokerage platforms.

Referrals from TD Ameritrade

Donaldson Capital Management may receive client referrals from TD Ameritrade through its participation in TD Ameritrade AdvisorDirect (the "referral program"). In addition to meeting the minimum eligibility criteria for participation in AdvisorDirect, the Firm may have been selected to participate in AdvisorDirect based on the amount and profitability to TD Ameritrade of the assets in, and trades placed for, client accounts maintained with TD Ameritrade. TD Ameritrade is a discount broker-dealer independent of and unaffiliated with Donaldson Capital Management and there is no employee or agency relationship between them. The fact that we participate in the AdvisorDirect program creates an incentive to recommend TD Ameritrade because we receive referrals from them rather than based solely on our clients' interest in receiving most favorable execution.

TD Ameritrade has established the referral program as a means of referring its brokerage customers and other investors seeking fee-based personal investment management services or financial planning services to independent investment advisors. TD Ameritrade does not supervise Donaldson Capital Management and has no responsibility for the Firm's management of client portfolios or the Firm's other advice or services. Donaldson Capital Management pays TD Ameritrade an on-going fee for each successful client referral. This fee is usually a percentage (not to exceed 25%) of the advisory fee that the client pays to Donaldson Capital Management (Solicitation Fee). The Firm will also pay TD Ameritrade the Solicitation Fee on any advisory fees received by Donaldson Capital Management from any of a referred client's immediate family members, including a spouse, child or any other family member who resides with the referred client and hired Donaldson Capital Management on the recommendation of such referred client. Donaldson Capital Management will not charge clients referred through AdvisorDirect any fees or costs higher than its standard fee schedule offered to its clients or otherwise pass Solicitation Fees paid to TD Ameritrade to its clients. For information regarding additional or other fees paid directly or

indirectly to TD Ameritrade, please refer to the TD Ameritrade AdvisorDirect Disclosure and Acknowledgement Form.

Donaldson Capital Management's participation in AdvisorDirect raises potential conflicts of interest. TD Ameritrade will most likely refer clients through AdvisorDirect to investment advisors that encourage their clients to custody their assets at TD Ameritrade and whose client accounts are profitable to TD Ameritrade. Consequently, in order to obtain client referrals from TD Ameritrade, Donaldson Capital Management has an incentive to recommend to clients that the assets under management by the Firm be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade. In addition, Donaldson Capital Management has agreed not to solicit clients referred to it through AdvisorDirect to transfer their accounts from TD Ameritrade or to establish brokerage or custody accounts at other custodians, except when its fiduciary duties require doing so. The Firm's participation in AdvisorDirect does not diminish its duty to seek best execution of trades for client accounts; however, under directed brokerage circumstances, Donaldson Capital Management will not have the ability to negotiate commissions or obtain volume discounts and best execution may not be achieved.

Securities held by TD Ameritrade are automatically insured up to \$250 million.

Securities may also be held at a bank or an eligible custodian other than TD Ameritrade, provided prompt payment and certificate delivery can be assured. In some instances, additional charges will be incurred when utilizing an outside custodian.

Fidelity Institutional Wealth Services

For proprietary clients and clients of third-party independent investment advisors opening an account through Donaldson Capital Management's One Fee Program, clients have the option to establish accounts at Fidelity with National Financial Services LLC (NFS) as the qualified custodian and broker/dealer. The recommendation and use of Fidelity and NFS is the result of DCM's participation in the Fidelity Institutional Wealth Services program. NFS, a division of Fidelity, Inc. is a registered broker/dealer, member FINRA/SIPC/NFA ("NFS") and will serve as the client's qualified custodian and maintain physical custody of all client funds and securities. You must designate DCM as your investment advisor on the accounts you'd like DCM to manage. DCM will be granted limited power-of-attorney on the account to implement trades within the account and (when agreed to by the client) deduct DCM advisory fees from the account.

DCM receives benefits from Fidelity that include receipt of duplicate client statements and confirmations; access to a trading desk; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; and possible discounts on compliance, marketing, research, technology, and practice management products or services provided to DCM by third party vendors. These benefits received by the Firm, or its associated persons, through participation in the program do not depend on the amount of brokerage transactions directed to NFS.

Fidelity enables DCM to obtain many no-load mutual funds without transaction charges and other no-load funds at nominal transaction charges. Fidelity's commission rates are generally considered discounted from customary retail commission rates. However, the commissions and transaction fees charged by Fidelity may be higher or lower than those charged by other custodians and broker-dealers.

As a result of receiving such services,, DCM has an incentive to continue to use or expand the use of Fidelity's services. DCM examined this potential conflict of interest when it chose to enter the relationship with Fidelity and has determined that the relationship is in the best interests of DCM's clients and satisfies its client obligations, including its duty to seek best execution. Costs incurred for using Fidelity and NFS may be higher than another qualified broker-dealer might charge to effect the same transaction where DCM determines in good faith that the commission is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broke-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although DCM will seek competitive rates, to the benefit of all clients, it may not necessarily obtain the lowest possible rates for specific client account transactions. Although the investment research products and services that may be obtained by DCM will generally be used to service all of DCM's clients, a brokerage commission paid by a specific client may be used to pay for research that is not used in managing that specific client's account.

Client Directed Brokerage Arrangements

While Donaldson Capital Management generally recommends, and in some cases requires, the use of TD Ameritrade and/or Fidelity/NFS, a client may be allowed to select a broker-dealer of their own choosing and still participate in the One Fee Program. When a client directs the use of a particular broker-dealer or other custodian, Donaldson Capital Management may not be able to obtain the best prices and execution for the transaction. Clients who direct the use of a particular broker-dealer or custodian may receive less favorable prices than would otherwise be the case if clients had not designated a particular broker-dealer or custodian. Further, clients with directed brokerage arrangements will not be able to participate in aggregate trades (i.e. block trades) and directed trades may be placed by the Firm after effecting non-directed trades.

Cross Transactions

When advantageous to both parties, Donaldson Capital Management may implement cross transactions for fixed income securities between two clients of the Firm. Prior to implementing a cross transaction in a client's account, the client must provide standing authorization allowing Donaldson Capital Management to implement such transactions. A cross transaction occurs when securities are bought and sold between two client accounts. Cross transactions made by the Firm are always implemented between fee-based investment advisor accounts. Donaldson Capital Management does **not** implement cross transactions between a commission-based brokerage account and a fee-based advisory account.

An independent third party is used to determine the price when implement cross transactions. Donaldson Capital Management employs cross transactions when the prices to both buyers and sellers are at least equivalent to or better than prices generally available on the open market.

Handling of Trade Errors

Donaldson Capital Management has implemented procedures designed to prevent trade errors; however, trade errors in client accounts cannot always be avoided. Consistent with its fiduciary duty, it is the policy of the Firm to correct trade errors in a manner that is in the best interest of the client. In cases where the client causes the trade error, the client will be responsible for any loss resulting from the correction. Depending on the specific circumstances of the trade error, the client may not be able to receive any gains generated as a result of the error correction. In all situations where the client does not cause the trade error, the client will be made whole and any loss resulting from the trade error will be absorbed by Donaldson Capital Management if the error was caused by the Firm. If the error is caused by the broker-dealer, the broker-dealer will be responsible for covering all trade error costs. If an investment gain

results from the correcting trade, the gain will remain in the client's account unless the same error involved other client account(s) that should also receive the gains and it is not permissible for all clients to retain the gain.

If the gain does not remain in the client's account and TD Ameritrade is the custodian, TD Ameritrade will deposit gains into Donaldson Capital Management's trade error account with TD Ameritrade if it is under \$100 to minimize. Donaldson Capital Management will maintain the gain to minimize and offset its administrative time and expense against losses the Firm may incur as a result of other trading errors. Generally, if related trade errors result in both gains and losses in the client's account, they may be netted. Gains of more than \$100, not retained in the client account, will be donated by TD Ameritrade to a charity chosen by TD Ameritrade.

If the gain does not remain in the account and a broker-dealer other than TD Ameritrade, including Fidelity, is the custodian, the client's introducing broker-dealer will maintain gains that may result from correcting a trade error and in some instances may use such gains to offset overall losses the introducing broker-dealer incurs from trading errors.

Block Trading Policy

Transactions implemented by Donaldson Capital Management for client accounts are generally effected independently, unless the Firm decides to purchase or sell the same securities for several clients at approximately the same time. This process is referred to as aggregating orders, batch trading or block trading and is used by the Firm when Donaldson Capital Management believes such action may prove advantageous to clients. When Donaldson Capital Management aggregates client orders, the allocation of securities among client accounts will be done on a fair and equitable basis with no particular group or client(s) being favored or disfavored over any other clients. Typically, the process of aggregating client orders is done in order to achieve better execution or to allocate orders among clients on a more equitable basis in order to avoid differences in prices and transaction fees or other transaction costs that might be obtained when orders are placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among the Firm's clients in proportion to the purchase and sale orders placed for each client account on any given day. When Donaldson Capital Management determines to aggregate client orders for the purchase or sale of securities, including securities in which Donaldson Capital Management may invest, the Firm will do so in accordance with the parameters set forth in the SEC No-Action Letter, *SMC Capital, Inc.* It should be noted, Donaldson Capital Management does not receive any additional compensation or remuneration as a result of aggregation.

Ability to Select Fixed Income (Bond) Broker-Dealers

Donaldson Capital Management may elect to purchase bonds through bond broker-dealers in order to obtain a better price for the client. The bonds may be delivered into either a block account that DCM has at TD Ameritrade or Fidelity where the bonds are then allocated to the client's brokerage account or the bonds can be delivered directly into the client's account. This practice is known as Directed Trade whereby DCM "directs the trade" away from TD Ameritrade or Fidelity to another bond broker-dealer. TD Ameritrade or Fidelity still executes the trade and sends out confirmations to the client. This is the only case in which Donaldson Capital Management selects a broker-dealer to be used without specific client consent. TD Ameritrade or Fidelity charge the client a fee per order entered at an executing broker-dealer by the Firm. The Directed Trade fee is built into the price of the bond. DCM can also choose to set up an account for prime-brokerage bond trading with the client's signed consent. This also allows for bonds to be purchased through broker-dealers but for only those accounts qualifying by size and consent of the client. This can broaden DCM's market for bond purchases and creates more negotiation power when buying bonds for those clients. When DCM uses Prime Brokerage to purchase bonds from another

broker, TD Ameritrade or Fidelity will assess a separate transaction cost for these bond purchases. These transaction costs are the responsibility of the client and are paid at the time of execution.

Item 13 – Review of Accounts

Account Reviews and Reviewers

Investment management accounts are reviewed at least quarterly by Donaldson Capital Management, but may be reviewed more frequently based on changes to the client's situation and requests made by clients. Donaldson Capital Management manages portfolios on a team basis. The underlying portfolios held in client accounts and recommended by the Firm are reviewed on an on-going basis by the Firm's Investment Department, including the Trading team, individual investment advisors, with oversight provided by the Investment Policy Committee. Accounts are managed by Donaldson Capital Management in accordance with parameters set forth and determined by the Firm's investment personnel.

Statements and Reports

Donaldson Capital Management will provide to its investment management clients a quarterly macro-economic newsletter in which major economic forces and trends in the economy will be discussed. It will include analyses of how these forces and trends will affect stocks, bonds, and interest rates. Special reports will be included as economic and market changes warrant. Presently, no subscription fee is charged for this service; however, Donaldson Capital Management may begin charging a fee for its newsletter in the future.

Donaldson Capital Management may also provide performance or position reports to clients on a periodic or on-demand basis. Clients are **urged** to compare all reports provided by the Firm against the account statements received from the qualified custodian which are provided to clients directly from the qualified custodian. The qualified custodian is required to provide statements to clients at a minimum on a quarterly basis.

Item 14 – Client Referrals and Other Compensation

Compensation Paid for Referrals

Donaldson Capital Management enters into arrangements with unaffiliated investment advisory firms ("Solicitors") that refer clients that may be candidates for investment advisory services to the Firm. In return, Donaldson Capital Management will agree to compensate the Solicitor for the referral. Compensation to the Solicitor is dependent on the client entering into an advisory agreement with the Firm. Compensation to the Solicitor will be an agreed upon percentage of the Firm's investment advisory fee or a flat fee depending on the type of advisory services the Firm provides to clients. Donaldson Capital Management's referral program will be in compliance with federal or state regulations (as applicable). The solicitation/referral fee is paid pursuant to a written agreement retained by both the Firm and the Solicitor. The Solicitor will be required to provide the client with a copy of DCM's Form ADV Part 2 Disclosure Brochure and a Solicitor Disclosure Document prior to or at the time of entering into any investment advisory contract with Donaldson Capital Management.

TD Ameritrade Institutional Customer Program

As disclosed under Item 12 above, Donaldson participates in TD Ameritrade's ("TDA") institutional customer program and DCM may recommend TDA to Clients for custody and brokerage services. There is no direct link between Advisor's participation in the program and the investment advice it gives to its

Clients, although the Advisor receives economic benefits through its participation in the program that are typically not available to TDA retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving Advisor participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts; the ability to have advisory fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology and practice management products or services provided to DCM by third party vendors. TDA may also have paid for business consulting and professional services received by DCM's related persons. Some of the products and services made available by TDA through the program may benefit DCM but may not benefit its client accounts. These products or services may assist DCM in managing and administering client accounts, including accounts not maintained at TDA. Other services made available by TDA are intended to help DCM manage and further develop its business enterprise. The benefits received by DCM or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TDA. As part of our fiduciary duties to clients, DCM endeavors always to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by DCM or its related persons in and of itself creates a potential conflict of interest and may indirectly influence the Advisor's choice of TDA for custody and brokerage services.

Additional Services

Donaldson Capital Management also receives from TD Ameritrade certain additional economic benefits (Additional Services) that may or may not be offered to any other independent Investment Advisors participating in the program, including the referral program previously described. TD Ameritrade provides the Additional Services to DCM in its sole discretion and at its own expense, and DCM does not pay any fees to TD Ameritrade for the Additional Services. Donaldson Capital Management and TD Ameritrade have entered into a separate agreement, known as the "Additional Services Addendum," to govern the terms of the provisions of the Additional Services.

DCM's receipt of Additional Services raises potential conflicts of interest. In providing Additional Services to DCM, TD Ameritrade most likely considers the amount and profitability to TD Ameritrade of the assets in, and trades placed for, DCM's client accounts maintained with TD Ameritrade. TD Ameritrade has the right to terminate the Additional Services Addendum with DCM, in its sole discretion, provided certain conditions are met. Donaldson Capital Management has an incentive to recommend to our clients that the assets under management by DCM be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade. DCM's receipt of Additional Services does not diminish its duty to act in the best interests of its clients, including to seek best execution of trades for client accounts; however, under directed brokerage circumstances, Donaldson Capital Management will not have the ability to negotiate commissions or obtain volume discounts and best execution may not be achieved.

Other Compensation

Donaldson Capital Management and its employees may refer advisory clients to use the services offered through Kemper CPA Group, LLC. As part of the relationship Donaldson has with the Kemper CPA Group, the Firm will receive a portion of fees charged by Kemper CPA Group, LLC for their services. Clients should be aware that this creates a potential conflict of interest for Donaldson Capital Management. Clients always have the ability to not accept the Firm's recommendation and seek another Firm or person for tax and accounting services.

Item 15 – Custody

Custody, as it applies to investment advisors, has been defined by regulators as having access or control over client funds and/or securities. In other words, custody is not limited to physically holding client funds and securities. If an investment advisor has the ability to access or control client funds or securities, the investment advisor is deemed to have custody and must ensure proper procedures are implemented. It should be noted that authorization to trade in client accounts is not deemed by regulators to be custody.

Although we are deemed to have custody of client funds and securities whenever you give us the authority to have fees deducted directly from your account, your custodian (generally TD Ameritrade) will maintain actual custody of client assets. You will receive account statements directly from the custodian at least quarterly. They will be sent to the email or postal mailing addresses you provided to the custodian in your account application or subsequent change of address forms. You should carefully review those statements promptly when you receive them and we strongly urge you to compare the account statements that you receive from the custodian with the periodic portfolio reports that you receive from us.

Item 16 – Investment Discretion

Through its asset management services and upon receiving written authorization from a client, Donaldson Capital Management will maintain trading authorization over client accounts. Upon receiving written authorization from the client, Donaldson Capital Management generally implements trades on a **discretionary** basis. When discretionary authority is granted, Donaldson Capital Management will have the authority to determine the type of securities, the amount of securities that can be bought or sold and the broker or dealer to be used for the client's portfolio without obtaining the client's consent for each transaction. However, it is the policy of Donaldson Capital Management to consult with the client prior to making significant changes in the account even when discretionary trading authority is granted by the client.

If you decide to grant trading authorization on a **non-discretionary** basis, we will be required to contact you prior to implementing changes in your account. Therefore, you will be contacted and required to accept or reject our investment recommendations including:

- The security being recommended
- The number of shares or units
- Whether to buy or sell

Once the above factors are agreed upon, Donaldson Capital Management will be responsible for making decisions regarding the timing of buying or selling an investment and the price at which the investment is bought or sold. If your accounts are managed on a non-discretionary basis, you need to know that if you are not able to be reached or are slow to respond to our request, it can have an adverse impact on the timing of trade implementations and we may not achieve the optimal trading price.

Please also see the section titled ***Ability to Select Fixed Income (Bond) Broker-Dealers*** at Item 12 – ***Brokerage Practices*** for information on our procedures to purchase bonds through broker-dealers in order to obtain a better price for a client.

All clients have the ability to place reasonable restrictions on the types of investments that may be purchased in an account. Clients may also place reasonable limitations on the discretionary power

granted to our Firm so long as the limitations are specifically set forth or included as an attachment to the client agreement.

Item 17 – Voting Client Securities

Donaldson Capital Management will not vote proxies on behalf of your account. While there are some investment advisors that will vote proxies and other corporate decisions on behalf of their clients, we have determined that taking on the responsibility for voting client securities does not add enough value to the services provided to clients to justify the additional compliance and regulatory costs associated with voting client securities. Therefore, it is your responsibility to vote all proxies for securities held in accounts managed by our Firm.

Clients will receive proxies directly from their custodian or transfer agent and such documents will not be delivered by our Firm. Although we do not vote client proxies, if you have a question about a particular proxy feel free to contact us.

Legal Actions

The client retains the right under the applicable securities laws to initiate individually a lawsuit or join a class-action lawsuit against the issuer of a security that was held, purchased or sold by or for the client. The Firm will not initiate such a legal proceeding on behalf of the client and does not provide legal advice to the client regarding potential causes of action against such a security issuer and whether the client should join a class-action lawsuit. DCM recommends that the client seek legal counsel prior to making a decision regarding whether to participate in such a class-action lawsuit. Moreover, the Firm's services do not include monitoring or informing the client of any potential or actual class-action lawsuits against the issuers of the securities that were held, purchased or sold by or for the client. However, upon the client's specific instruction, the Firm may provide assistance to the client regarding the client's investment history related to the security underlying the individual or class-action lawsuit and provide assistance with the completion of this portion of certain class-action paperwork. At no time should such assistance by the Firm be deemed as a substitute for consulting with legal counsel.

Item 18 – Financial Information

This item is not applicable to this brochure. Donaldson Capital Management does not require or solicit prepayment of more than \$1200 in fees per client, six months or more in advance. Therefore, we are not required to include a balance sheet for our most recent fiscal year. We are not subject to a financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients. Finally, Donaldson Capital Management has not been the subject of a bankruptcy petition at any time.

PRIVACY POLICY NOTICE

Federal laws require Donaldson Capital Management, like all providers of personal financial services, to inform its clients of how it protects the privacy of clients' personal information. The Firm's standards of confidentiality continue to be more stringent than those required by law. In compliance with government regulations, the Firm sends this notice annually to each client.

Protection of Personal Information

Donaldson Capital Management has safeguards in place to protect the confidentiality, security, and integrity of each client's non-public personal information. The Firm restricts access to non-public personal information to those who need to know that information in order to service accounts. The Firm associates are required to maintain and protect the confidentiality of client personal information and must follow established procedures to do so including annually signing an agreement to strictly maintain the confidentiality of every client's personal information.

Donaldson Capital Management maintains physical, electronic, and procedural safeguards that comply with government requirements to guard non-public personal information. As a further safeguard, the Firm has designed its offices to physically protect all client information from being observed casually or mistakenly by persons other than the Firm's staff.

Types of Personal Information Collected

When clients apply for or maintain an account with Donaldson Capital Management, personal information about clients is collected for business purposes such as evaluating financial needs, processing client requests, and executing transactions. This personal information may include

- Information clients provide the Firm on applications, contracts, forms, or other correspondence – including names, addresses, phone numbers, e-mail addresses, dates of birth, social security numbers, occupation, and personal financial information.
- Information about accounts managed by the Firm – client account holdings and transaction history.
- Information provided to verify client's identity – copies of passports or driver's licenses.

Disclosure of Personal Information

Donaldson Capital Management does not disclose any non-public information about its clients or former clients, except as required by law or to cooperate with regulators or law enforcement authorities or to resolve issues on behalf of clients. Permitted disclosures include providing information to the Firm's employees and, in some instances, unrelated third parties such as financial service providers that assist us in servicing client accounts (broker-dealers and custodians), joint account holders, and those with whom clients have consented to sharing of their information.

In all such situations, Donaldson Capital Management stresses the confidential nature of information being shared.

Donaldson Capital Management appreciates the opportunity to serve the needs of our client's investment management needs. We pledge to follow the policies, safeguards, and guidelines as described in this notice and to protect the confidentiality of all client information. Please call if you have any questions.