

## Item One: Cover Page

XXEC, Inc.  
dba: Fredric E. Russell Investment Management Co.  
2200 South Utica Place, Suite 430  
Tulsa, Oklahoma 74114  
Telephone: 918.743.5959  
Facsimile: 918.743.0302  
[www.ferimc.com](http://www.ferimc.com)

Fredric E. Russell, Chief Executive Officer  
Ann Hughes, Compliance Officer, [ann@ferimc.com](mailto:ann@ferimc.com)

Form ADV Part 2 Brochure Filed March 31, 2021, with the Securities and Exchange Commission.

This brochure provides information about the qualifications and business practices of the Fredric E. Russell Investment Management Co. If there are any questions about the contents of this brochure, please contact us by phone: (918) 743-5959 or by mail:

Fredric E. Russell Investment Management Co.  
2200 South Utica Place, Suite 430  
Tulsa, Oklahoma 74114

The information in this brochure is not approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Additional information about the Fredric E. Russell Investment Management Co. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item Two: Material Changes**

Since the annual update of this brochure on June 30, 2020 the firm has:

1. Increased Assets Under Management to more than \$153 million
2. Specified how often we do client account reviews.
3. Specified that we hold no more than 30 companies at any given time.

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#### Item Four: Advisory Business

The Fredric E. Russell Investment Management Co. is a money management firm serving primarily Colorado and Oklahoma. Our firm was started in 1987 and our founder and principal owner, Fredric E. Russell, was born in New York City. Fred graduated from Deerfield Academy in Massachusetts in 1961 and then went on to Swarthmore College in Pennsylvania, graduating in 1965.

After earning an M.B.A. at Washington University in St. Louis, Fred taught accounting and finance at several universities before moving to Tulsa, Oklahoma, where he worked as an investment manager at a bank before founding The Fredric E. Russell Investment Management Co.

We manage all client accounts according to Fred's investment strategy. **Clients who find us a good fit are long-term investors who do not need to frequently access the funds in their accounts.** Required Minimum Distributions from Investment Retirement Accounts can be disbursed monthly, quarterly, or annually, according to the client's wishes.

The Fredric E. Russell Investment Management Co. **does not** participate in wrap fee programs.

We manage \$153,554,230 of client assets on a discretionary basis as of March 31, 2021. This is one hundred percent of our assets under management.

#### Item Five: Fees and Compensation

Our fee schedule is as follows:

Fredric E. Russell Investment Management Co. is compensated for its advisory services by charging an annual fee of 1.00 percent of the market value of the account per annum, billed 0.25 percent every three months/quarter. This is the only fee that clients incur through the firm.

Fredric E. Russell Investment Management Co. reserves the right, in its sole discretion, to negotiate, reduce or waive the advisory fee for certain Client Accounts for any period of time determined solely by our Chief Executive Officer.

When the client first opens an account under our management with Charles Schwab & Co., Inc., our custodian, he or she chooses either to authorize us to debit the investment account each quarter for our management fee or to mail us a check for the management fee every quarter. If the client chooses, we can send a paper copy of this notice through regular mail.

Our clients incur no other advisory fees or expenses through our Firm. However, when a trade is placed on Charles Schwab, some commissions and fees occur. We review these on a per trade basis and deem them to be reasonable and competitive. Clients do not pay any fees in advance. We prorate management fees for client accounts if the account is not under our management for the entire quarter, for instance when the client first opens the account, as this almost never occurs precisely on the first or last day of a quarter. In such instances, we calculate a prorated fee that is simply the fee for the entire quarter divided by the number of days in the quarter and multiplied by the number of days the account was under our management. A similar calculation is done if a client decides to leave the firm. We take the total number of days in the current quarter that the client was under our management, and divide that by 90 days and then multiply by the standard quarterly rate of 0.25 percent. The termination fee mentioned in our contract of \$500 can be waived if both parties agree to the termination.

**We do not accept compensation for the sale of securities or other investment products.**

Fees are not charged in advance and are calculated on a continuous basis and deducted from Clients' Accounts each quarter as follows: fee rate multiplied by the net market value of the Client's Account as of the close of trading on the New York Stock Exchange ("NYSE") (herein, "close of markets") on such day, or as of the close of markets on the immediately preceding trading day for any day when the NYSE is closed, and then divided by 365 (or 366 in any leap year).

Our fee is a percentage of the market value of the client account as of the close of business on the last day of the quarter.

**We do not charge hourly or flat-rate fees.**

### **Item Six: Performance-Based Fees and Side-By-Side Management**

We do not charge fees based on performance.

### **Item Seven: Types of Clients**

Our clients consist primarily of high-net worth individuals. We manage individual accounts, Individual Retirement Accounts (IRAs), trust accounts, and self-directed 401(k) accounts for these individuals.

### **Item Eight: Methods of Analysis, Investment Strategies and Risk of Loss**

We, as a team, do our own research by digging deep and using our own quantitative and qualitative analysis processes.

When we find a company of interest, we read the company's Securities and Exchange Commission 10-K filings and press releases and study the company's balance sheets and financial ratios.

If the company passes this first inspection, the firm discusses the company in depth and prepares tough questions for a call to the company's top executives.

Our phone calls with top management usually last about an hour as one probing question prompts another.

Fredric E. Russell will occasionally visit the company's headquarters and meet with company executives in person to view the company in action.

We are long-term investors and invest only in companies that we believe in enough to hold for years. That said, we frequently review the companies in our portfolio and will sell those we no longer believe will provide a good return for our clients.

We invest only in United States common stocks, publicly traded companies whose global headquarters are in the United States, and US Treasury Notes. Of course, many of the companies in our portfolio have significant global operations and are exposed to global risks, including but not limited to currency exchange rates and the political stability of countries in which these companies have operations.

We hold, at any one time, no more than thirty companies in our portfolio.

The client(s) understands and acknowledges that investors in any security class face many risks. We discuss some, but certainly not all, of these risks in the paragraphs below.

Common stocks have historically experienced greater risk when measured by price volatility, the standard deviation of annual returns, or other measures, than high grade fixed income securities. At the same time, common stocks have shown greater price appreciation than fixed income instruments. Common shares of U.S. based companies from 1925 through 2020, for example, whether small capitalization or large capitalization issues, have experienced greater annual price volatility, as well as greater annual price appreciation, than U.S. government debt issues.

Nevertheless, there is no guarantee that common stocks purchased for the Portfolio (individually or as a group) will enjoy total annual returns exceeding, or even matching, for that matter, the total annual returns produced by high grade fixed income securities (such as U.S. government debt issues). Nor is there, conversely, any guarantee that U.S. government fixed income securities, or any fixed income security purchased for the portfolio during any given period will experience less volatility than suffered by common stocks, including those that may be purchased for the portfolio.

Furthermore, there is no guarantee that the historical pattern of any asset class with respect to risk, whether measured by price volatility or any other measure of risk, or return, will be maintained or repeated.

Also, stock prices may decline sharply and may not recover for long periods of time. In 1929, for example, large capitalization stocks, (defined by Ibbotson Associates as equities which comprise the Standard & Poor 500 or are similar in size to market capitalization of companies which comprise the Standard & Poor 500) fell 8.5%. In 1930, these equities declined a further 24.9%. In 1931, they again fell, this time by a staggering 43.34%! In fact, if an investor had taken positions in large capitalization stocks in 1929, he or she would not have recovered his or her capital, or broken even, until 1937. For an eight-year period (1929-1937) which produced a return of zero, he or she would have suffered tremendous bouts of volatility and distress.

In March 2000, the Standard & Poor 500 reached an all-time high of 1552.87. By October of 2002, it had fallen to 768.63, a decline of over 50%! If an investor had taken positions in the Standard & Poor 500 stocks in March 2000, he or she would not have recovered his or her capital or broken even until July 2007.

Both periods described above were very uncomfortable for the equity investor, but such experiences may reoccur.

The firm's historical investment return and volatility experience for any asset class is not guaranteed. Returns may be lower and volatility may be greater than the firm's historical experience.

The firm cannot eliminate unique (specific asset) or systemic (market) risk for common stocks. The firm will attempt to diversify these risks but there is no guarantee that the firm will be able to do so. Likewise, the firm cannot eliminate interest rate and credit risk for any fixed income securities.

Also, the portfolio is always subject to realized and unrealized losses in any asset class. The client(s) understands this and agrees to hold the firm harmless for such losses that may occur.

Mr. Russell currently has sole discretion over investing. He shares his ideas and processes with the firm in order to increase the firm's knowledge of his investment process, but operates alone in deciding how much and what companies to invest in.

Clients must be aware of the risks enumerated in the previous paragraphs and be in a financial position to incur these risks and be willing to do so. The client has the responsibility to keep the firm informed of any changes in his or her risk profile, such as changes in net worth, current income needs, health, or any other

circumstances, such as retirement or layoff, which would affect investment suitability and the asset allocation of the portfolio. The firm will have no liability in the management of the portfolio under this agreement in the event of any change in the above circumstances unless the client brings them to our attention. Furthermore, we have no duty to make these inquiries with respect to these circumstances.

The client also understands that the formulation of the firm's equity strategy is a subjective exercise. There is no universal or objective agreement on how to weigh the competitive advantages discussed in a company's marketing literature, including its brochure. For example, some analysts may consider market share more important than return on equity in deciding whether a company has important competitive advantages. Likewise, the very definition of competitive advantage is subjective: for example, the firm weighs some characteristics more heavily than others in assessing whether a company has a de facto franchise. This weighting may not enjoy universal agreement. Also, competitive advantages are not guaranteed to be perpetual, or to last for any given or specified time.

Furthermore, the firm may purchase some issues without pronounced competitive advantages, companies which are, nevertheless, in the opinion of the firm, sound investments.

The equity universe is a large universe, containing inevitably companies with greater risk than others. Some issues for example, purchased for the portfolio, may not pay a dividend and may have limited liquidity due to the number of shares outstanding and average daily trading volume. Likewise, some companies may have market share or balance sheets, or cash flows, superior to others. Likewise, some securities may have significant long-term or short-term debt, limited operating history, concentration in one product, or inexperienced management, or other characteristics which may make such investments more risky than other common stocks.

The client(s) will not hold the firm liable for any losses in the portfolio to the extent that any investments were made in good faith and, when applicable, were not contrary to the fiduciary standards of ERISA (Employee Retirement Income Security Act of 1974.) The client should ensure he or she has a financial profile suitable for investments in all issues described in Section 1.

### **Item Nine: Disciplinary Information**

The Fredric E. Russell Investment Management Co. is involved in no legal or disciplinary events.

### **Item Ten: Other Financial Industry Activities and Affiliations**

The Fredric E. Russell Investment Management Co. has no other financial industry activities or affiliations.

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

The Fredric E. Russell Investment Management Co. maintains a Code of Ethics that covers ethical behavior as regards insider information, personal securities trading, privacy, internal controls, and written compliance procedures, among other things.

Each employee of the Fredric E. Russell Investment Management Co. receives a copy of the Code of Ethics upon employment. The Code of Ethics is reviewed and revised, as necessary, each year, and copies of the revised Code provided to all employees.

The firm will provide a copy of its Code of Ethics to any client or prospective client upon request.

Employees at the Fredric E. Russell Investment Management Co. do not, and the firm does not, recommend to clients, or buy or sell for client accounts, securities in which we have a material financial interest.

The code of ethics forbids any employee of the company who is involved in trading decisions from initiating short positions<sup>1</sup> in fixed income or common stock of securities when any client has a long position<sup>2</sup> in either type of security, and vice versa.

If the firm is buying securities and the employee wishes to have a position in that security, the price allocated to the employee must be higher than or equal to the average price paid by clients on the day of the purchase of a given security. Likewise, if the firm is selling securities and the employee wishes to sell part or all of his position, then the price allocated to the employee must be no greater than the average price received by the clients on the date of sale.

Employees involved in investment decisions are not permitted to participate in private placements or initial public offerings.

### **Item Twelve: Brokerage Practices**

The Fredric E. Russell Investment Management Co. uses Charles Schwab & Co., Inc. as the broker-dealer for all trades for client accounts, either using our dedicated team of traders at the Charles Schwab & Co., Inc. Trading Desk in Phoenix, Arizona or the Schwab Institutional Web Trading Applet. We periodically review Schwab's asset management and their advisory services with their closest competitors, Schwab has been so far increasingly competitive on cost, in an attempt to make sure that our clients are getting the best price for this service.

The Fredric E. Russell Investment Management Co. receives no soft dollar benefits.

The Fredric E. Russell Investment Management Co. receives no client referrals from a broker-dealer or a third party.

The Fredric E. Russell Investment Management Co. requires that clients use Charles Schwab & Co., Inc. as the custodian and broker for client accounts. Not all advisers require their clients to use a specific custodian and broker. The firm and Charles Schwab & Co, Inc. are not affiliated and have no economic relationship that creates a material conflict of interest—in other words, Schwab does not pay us to make you use them. We simply feel we get excellent service for a reasonable price, and using one custodian and broker-dealer for all client accounts allows us to most effectively manage your money. Our Schwab trading team knows the firm and our investment strategies and trading style, which helps minimize costly trading errors. Schwab interfaces well with our Advent Axys portfolio management software, which means that we know the reports we run using this software are accurate and can be used for investment activity. Our Schwab support team speedily handles our requests and concerns. The client also has access to his or her account online at [www.schwab.com](http://www.schwab.com) and can contact Schwab Alliance with any questions or concerns.

We aggregate the purchase and sale of securities for all client accounts. This allows all clients to receive the average price paid for or received from the day's trading in the security, rather than some clients receiving a higher or lower price than others.

Fredric E. Russell continuously monitors our Clients' portfolios.

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<sup>1</sup> You initiate a "short position" when you borrow securities to sell with the expectation the security will fall in value.

<sup>2</sup> You have a "long position" when you have bought a security with the expectation that it will rise in value.



Partial fills happen with limits on the number of shares that can be allocated to all accounts. Sometimes when a stock is ordered, its volume throughout that day is so low (and the order so high) that partial fills run all the way to the end of the day.

On any given day, the number of securities traded that are common across clients will vary greatly. When possible, Fredric E. Russell Investment Management Co. utilizes software programs to enhance its trading efficiency including the aggregating or blocking of trades in securities across clients. Upon execution, the pricing of such blocked trades is averaged and proportionately allocated among the corresponding client accounts. Given normal trade size and depth of the market for such securities, the Firm's execution of aggregated trades is not expected to have a material impact on pricing. If the aggregated order is filled in its entirety, it will be allocated among clients in accordance with the Allocation Statement. If the order is partially filled, it will be allocated to clients alphabetically, from A-Z, and if we purchase or sell more on a subsequent day, we will then allocate from Z-A to ensure fairness in allocation.

### **Item Thirteen: Review of Accounts**

We review client accounts at least quarterly, however, circumstances may arise that require more frequent reviews. These reviews may be triggered by the addition or withdrawal of a material sum of money from a client account, the cash balance or percentage of cash held in an account, or other factors. We review all client positions in one particular security for a variety of reasons, such as when a company reports earnings, and may decide to review particular client accounts that are over- or underweighted in the security or have a significant gain or loss on the security.

Mr. Fredric E. Russell is directly responsible for the continuing review of the portfolios. The Daily Cash Report and Unrealized Gains and Losses Report are reviewed on a daily basis which summarizes account performance, balances and holdings. We offer performance reports to our clients upon request.

Reviews are conducted by Fredric E. Russell, CEO. Fred Russell makes all final investment decisions for the client.

### **Item Fourteen: Client Referrals and Other Compensation**

Only clients provide an economic benefit to the Fredric E. Russell Investment Management Co. or any of its employees for providing investment advice or other advisory services to our clients.

### **Item Fifteen: Custody**

The Fredric E. Russell Investment Management Co. does not have custody of any client funds or securities. All client funds and securities are held by Charles Schwab & Co., Inc., except accounts assigned with three legacy clients.

All three legacy accounts are held at Bank of Oklahoma.

The custodians send monthly statements to the clients via electronic or paper mail, depending on the client's indicated preference. Clients should carefully review these statements. A client may also at any time request a statement from the Fredric E. Russell Investment Management Co., though the firm does not regularly send the client unsolicited statements.

### **Item Sixteen: Investment Discretion**

When a client opens or transfers an account to the management of the Fredric E. Russell Investment Management Co., he or she signs a form provided by Charles Schwab & Co., Inc., the custodian of the account, which grants the Fredric E. Russell Investment Management Co. limited power of attorney over the account. This means that the firm has the right to trade in equities and fixed income securities with no restrictions on behalf of the client, as summarized below:

The client authorizes the firm, at the firm's discretion and without requiring notice to the client, to invest in (a) U.S. common stocks and, from time to time, (b) U.S. government obligations, without any percentage limitation for the preceding two categories.

To invest for the portfolio, the firm may use any cash held in the portfolio. This cash may arise from dividends, interest, cash deposits, and the sale of securities held in the portfolio. The firm may purchase and hold any security above with percentage limitation. At Fredric E. Russell Investment Management Co., we do not allocate to the clients any position which exceeds 8% of the client's total account value. The client authorizes the firm to place buy and sell orders or investment instructions as it sees fit for the portfolio as well as to give investment and settlement instructions for the portfolio.

The firm will use Charles Schwab & Co., Inc. as broker and custodian for the account. By using Charles Schwab & Co., Inc. to effect brokerage services for the client, the firm can negotiate block or professional investment or trading privileges for its clients and can link the firm's Advent software system that generates performance reports for the portfolio.

### **Item Seventeen: Proxy Voting Client Securities**

With the exception of assets owned directly by the Fredric E. Russell Investment Management Co. or Fredric E. Russell personally, the firm does not vote the proxies for clients. Clients will receive their proxies or other solicitations directly from their custodian. Clients may call the firm with questions about a particular solicitation, but the firm cannot guarantee it will give advice regarding any particular solicitation.

### **Item Eighteen: Financial Information**

The Fredric E. Russell Investment Management Co. does not require or solicit prepayment of any fees from any client.

The Fredric E. Russell Investment Management Co. has discretionary authority over client funds and securities. The Fredric E. Russell Investment Management Co. is unaware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients.

The Fredric E. Russell Investment Management Co. has not been subject to a bankruptcy petition at any time during the past ten years, or ever.

## Form CRS

### Item 1: March 31, 2021

**Item 1A:** Fredric E. Russell Investment Management Co. is registered with and governed by the Securities and Exchange Commission as an Investment Advisor.

#### Differences in regulation

The difference between broker-dealers and registered investment advisors is how each group gets regulated. Investment advisors have a fiduciary duty to their clients that requires them to put their clients' interests ahead of their own. Advisors who have a conflict of interest, such as by receiving compensation for certain products they sell, must fully disclose the conflict or eliminate it. Additionally, an advisor isn't allowed to conduct trades directly for the advisor's own institutional account with clients unless details about the transaction are released to the client and the client gives consent.

By contrast, broker-dealers that work with the public typically become members of the self-regulatory Financial Industry Regulatory Authority, or FINRA. Broker-dealers owe a duty of fair dealing with their clients, which is generally seen as being less onerous than the fiduciary duties that registered investment advisors owe their clients. In particular, broker-dealers must not sell investments to their customers unless those investments are suitable for the customer's needs. When making a recommendation of particular investments, broker-dealers must disclose material conflicts of interest.

#### Sources of compensation

Because of these different regulatory standards and duties to clients, broker-dealers and registered investment advisors typically get compensated differently. Broker-dealers gravitate toward transaction-based compensation such as trade commissions, and as a result, some consumer advocates have warned their clients against improper practices like account churning to generate extra commission income.

By contrast, registered investment advisors often work on asset-based fees, earning a percentage of assets under management regardless of how many transactions a client does.

**Item 1B:** Free and simple tools are available to research firms and financial professionals at [Investor.gov/CRS](https://www.investor.gov/crs), which also provides educational materials about broker-dealers, investment advisers and investing.

#### Item 2A: What investment services and advice can you provide me?

As a Registered Investment Advisor firm, we have the ability to manage your investment portfolio, which may include a mix of individual stocks, fixed income securities and cash equivalents to meet our financial goals. While we emphasize the journey of long-term financial success, our goal is to meet each client's unique objectives. Because each client's goals and situation are unique, all of our relationships begin by exploring your specific investment objectives, along with an agreement about the degree of risk that will be assumed while managing your assets. We do our best to advice we deliver is always objective and in client's best interest.

We help clients translate agreed-upon investment objectives into specific investment guidelines to help increase the value of your assets over time. This includes specifying a mix of equities, fixed-income securities and cash equivalents to meet your financial goals.

### **Stocks**

Like Warren Buffet once said, "Find outstanding companies at sensible prices." This too is our goal for individual stock management—to create long-term growth of your portfolio. We emphasize a value-investment approach. We review fundamental components, and employ a disciplined methodology to identify quality companies we believe are undervalued in the market.

### **Fixed-Income Securities**

We add value to our clients' holdings of fixed-income securities by utilizing interest rate trend analysis to determine the appropriate average maturity of our fixed-income portfolios within a range of 3-10 years.

### **Fee-Only Financial Planning**

Fredric E. Russell Investment Management Co. does not receive any commissions, rebates, awards, finder's fees, bonuses, or other forms of compensation from third parties as a result of our planning recommendations. We are committed to helping our clients reach their financial goals by providing unbiased and objective recommendations. Our clients benefit through improved investment returns, reduced risk and increased financial knowledge.

**Item 2B:** Fredric E. Russell Investment Management Co. is registered as an investment advisor with the Securities Exchange Commission. We manage your investment portfolio with a mix of stocks, fixed income and cash equivalents.

The firm only offers **non-discretionary services** to all our clients. A **non-discretionary** account is the one where the retail investor makes the ultimate decision regarding the purchase or sale of investments.

The firm does not seek the client's opinion on any investment matter, discourages any client from giving such a piece of advice, or conducting any personal trades in their account. The firm has sole responsibility to manage their funds by using strategies abide by our contract. In addition to that, the firm has an account minimum requirement of \$250,000. The CEO reserves the right on making exceptions for any existing client's family and close friends, the ones who hold an account with us above the required minimum level. If the client conducts a trade in his or her account, the firm has the authority to sell those particular securities without client's consent.

Furthermore, the firm is under no obligation to furnish any reports about their account. Clients may access all relevant information through account access platform provided by their custodian.

The firm offers advice only with respect to Stocks and Treasury Bills and Treasury Notes that are a part of our holdings. The client(s) also understands that the firm cannot eliminate unique (specific asset) or systemic (market) risk for common stocks. The firm will attempt to diversify these risks but there is no guarantee that the firm will be able to do so. Likewise, the firm cannot eliminate interest rate and credit risk for any fixed income securities.

Also, stock prices may decline sharply and may not recover for long periods of time. In 1929, for example, large capitalization stocks, (defined by Ibbotson Associates as equities which comprise the Standard & Poor 500 or are similar in size to market capitalization of companies which comprise the Standard & Poor 500) fell 8.5%. In 1930, these equities declined a further 24.9%. In 1931, they again fell, this time by a staggering 43.34%! In fact, if an investor had taken positions in large capitalization stocks in 1929, he or she would not

have recovered his or her capital or broken even until 1937. For an eight-year period (1929-1937) which produced a return of zero, he or she would have suffered tremendous bouts of volatility and distress.

Also, the client(s) understands that the portfolio is always subject to realized and unrealized losses in any asset class. The client(s) understands this and agrees to hold the firm harmless for such losses that may occur. The client(s) also understands that the formulation of the firm's equity strategy is a subjective exercise. There is no universal or objective agreement on how to weigh the competitive advantages discussed in the firm's marketing literature, including its brochure. For example, some analysts may consider market share more important than return on equity in deciding whether a firm has important competitive advantages. Likewise, the very definition of competitive advantage is subjective: for example, the firm weighs some characteristics more heavily than others in assessing whether a company has a de facto franchise. This weighting may not enjoy universal agreement. Also, competitive advantages are not guaranteed to be perpetual, or to last for any given or specified time.

Furthermore, the company may purchase some issues without pronounced competitive advantages, companies which are, nevertheless, in the opinion of the firm, sound investments.

The client(s) also understands that the equity universe is a large universe, containing inevitably companies with greater risk than others. Some issues for example, purchased for the portfolio, may not pay a dividend and may have limited liquidity due to the number of shares outstanding and average daily trading volume. Likewise, some companies may have market share or balance sheets, or cash flows, superior to others. Likewise, some securities may have significant long term or short-term debt, limited operating history, concentration in one product, or inexperienced management, or other characteristics which may make such investments more risky than other common stocks. These companies will experience more volatility than Standard & Poor's 500 and are more subject to profit declines and loss than the index.

For more detailed information you can view our ADV Form Part 2A.

### **Item 3A: What fees will I pay?**

Our fee schedule is as follows:

Fredric E Russell Investment Management Co. is compensated for its advisory services by charging an annual fee of 1.00 percent of the market value of the account per annum, billed 0.25 percent every three months/quarter.

Fredric E Russell Investment Management Co. reserves the right, in its sole discretion, to negotiate, reduce or waive the advisory fee for certain Client Accounts for any period of time determined solely by our Chief Executive Officer.

When the client first opens an account under our management with Charles Schwab & Co., Inc., our custodian, he or she chooses either to authorize us to debit the investment account each quarter for our management fee or to mail us a check for the management fee every quarter. We send each client a billing notice via electronic mail advising him of the amount of the fee and that it has been withdrawn. If the client chooses, we can send a paper copy of this notice through regular mail.

Our clients incur no other fees or expenses. Clients do not pay any fees in advance. We prorate client accounts if the account is not under our management for the entire quarter, for instance when the client first opens the account, as this almost never occurs precisely on the first or last day of a quarter. In such instances, we calculate a prorated fee that is simply the fee for the entire quarter divided by the number of days in the quarter and multiplied by the number of days the account was under our management.

### **3B: What are your legal obligations to me when acting as my investment advisor?**

The client(s) authorizes the firm, at its discretion, and without requiring prior notice to the client(s), to invest in (a) U.S. common stocks and, (b) U.S. government obligations, and any other class of securities enumerated without any percentage limitation for the preceding two categories. (The Securities and Exchange Commission requires that any broker or custodian such as Schwab must report to the client(s) within twenty-four hours any investment activity undertaken for the client(s) by any investment manager. Thus, the client(s) will be informed of any investment activity undertaken by the firm with Schwab for the benefit of the account(s). The firm may also purchase common stocks traded on foreign exchanges, whether United States based or based in a foreign country. The firm may also purchase and sell derivative instruments, including but not limited to, calls, puts, and futures on common stocks and other instruments.

The relationship between the client(s) and the firm assumes no role for the client(s) in the formulation and execution of investment activity and strategy of the portfolio, except for the client's decision asset allocation decision.

The relationship also assumes that the firm undertakes no responsibility to discuss with the client(s) the rationale of any purchase, sale or any other decision that affects the portfolio. The firm fervently hopes that the client(s) understands that the firm spends its energy and time through research and other activities that will protect and enhance the value of funds of the client(s) under the firm's management. Client understands that the relationship between the firm gives control over the conception and execution of the investment decisions and strategy that govern the client's assets. The firm asks for no advice, input or commentary on any investment decisions except, as stated above, the client's asset allocation preference. Should the client wish to change any asset allocation, for any reason, it is up to the client to let the investment manager know in writing of such change. The firm undertakes no obligation to send any reports summarizing the investment results of any account. If market values diverge from client's asset allocation directive the firm is not obligated to rebalance the portfolio unless instructed in writing by client to do so. (Client may review positions in his or her account electronically or through paper through the electronic portal titled Advisor Source operated by Charles Schwab. A password and account name will be required to retrieve information from this portal).

If client(s) initiates any investment activity in the Portfolio the firm has the right to liquidate, without notice to the client, any such purchase, and client(s) will hold firm harmless for any loss incurred through such liquidation or sale.

Client may terminate this relationship by giving written notice to the firm and or to the custodian. Should the client terminate the relationship by instructing the custodian, without notification to the firm or with notification to the firm after notification to/Charles Schwab delinking the account from the firm's master account, to prohibit the firm from management of the account, that is from ascertaining the assets in the account(s) foreclosing the firm's ability to confirm assets in the account(s), then the firm will be freed of any responsibility for the account's management and may subsequently bill client of the account on the day of the delinking using values determined by Advent Software, Factset, or Yahoo Finance, or Charles Schwab & Co. to determine the market value of the accounts. The firm in such case the firm will not be responsible for the management of the account after such linking, including but not limited to, any decline in the value of securities. Furthermore, the firm will impose a service charge of five hundred dollars in addition to the management fee discussed below. With written termination notice to the firm five business days before notice to the custodian the firm may immediately liquidate all securities unless the client in writing specifies otherwise. In both cases, the firm reserves the right to bill the client's account immediately after termination no matter what day such termination occurs, at the rate of one quarter of one percent. The firm will bill client for the entire month, so in effect the bill will be two thirds of one quarter of one per cent. Termination date will be considered the date of delinking or receipt of written notice from the client of intent to terminate this contract.

**Item 3C. How else does your firm make money and what conflicts of interest do you have?**

There are no other streams of income for the firm. The management fees collected quarterly, at .25% per quarter are the only income for the firm. As such, there are no conflicts of interest as further described in form ADV.

**Item 3D. How do your financial professionals make money?**

Financial professionals can make their money in a variety of ways, including but not limited to: commissions, where professionals are paid to sell, hourly fees, when professionals are paid based on time spent, flat rates, where professionals charge one unvarying rate for services, and performance-based fees, where professionals are paid based on the performance of the assets under management. At Fredric E. Russell Investment Management company, we do not charge hourly or flat-rate fees. Our fees are based on assets under management. We charge 1% per annum of the total market value of each portfolio. These are calculated continuously. Fees are paid quarterly, and not in advance.

**Item 4: Do you or your financial professionals have legal or disciplinary history?**

No, the firm has no legal or disciplinary history.