

# Ramsey & Associates, Inc.

SEC File Number: 801 – 56341

## **ADV Part 2A, Firm Brochure**

**Dated: March 22, 2021**

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This Brochure provides information about the qualifications and business practices of Ramsey & Associates, Inc. If you have any questions about the contents of this Brochure, please contact us at (206) 324-1950 or [Karen@ramseyassoc.com](mailto:Karen@ramseyassoc.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 Ramsey & Associates, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

References herein to Ramsey & Associates, Inc. as a “registered investment adviser” or any reference to being “registered” does not imply a certain level of skill or training

## Item 2           Material Changes

There have been no material changes made to this ADV Part 2A, Firm Brochure since the March 23, 2020 Annual Amendment filing.

**Ramsey & Associates, Inc.’s Chief Compliance Officer, Karen S. Ramsey, remains available to address any questions that a client or prospective client may have regarding this Brochure.**

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## Item 4      **Advisory Business**

- A. Ramsey & Associates, Inc. (the “Registrant”) is a corporation formed on December 22, 1995 in the State of Washington. The Registrant registered as an investment adviser in 1995. The Registrant is owned by Karen S. Ramsey, who serves as the Registrant’s President and Chief Compliance Officer.
- B. As discussed below, the Registrant offers clients combined investment advisory services and financial planning and related consulting services and separately offers an internet-based investment advisory service for clients with at least \$50,000 in investable assets.

### **RAMSEY & ASSOCIATES - INVESTMENT ADVISORY SERVICES**

The client can determine to engage the Registrant to provide combined non-discretionary investment advisory services and financial planning and related consulting services on a *fee-only* basis. These services are referred to throughout this brochure as the “Investment Advisory Services”.

**Limited Discretionary Authority:** Investment Advisory Services clients may grant the Registrant with discretionary authority, (i.e., ability to effect account transactions without prior consultation or authorization from the client) limited to investment grade fixed income securities (i.e., certificates of deposit, U.S. Treasury and agency obligations, corporate and municipal bonds, etc.) transactions for client accounts. Investment Advisory Services clients are required to make this election in the *Investment Advisory Agreement*.

The scope of the ongoing annual financial planning or related consulting services provided by Registrant generally is limited to reviewing and revising the Registrant’s previous recommendations and/or services relative to a change in the client’s financial situation or investment objectives. In the unlikely event that a client requires extraordinary financial planning or consultation services, Registrant is authorized to increase the fee during the remainder of the year. The Registrant will determine the dollar amount of the increase, and the Registrant will provide the client with a separate written notice of the fee increase. Registrant’s fees are also subject to a review and can change on an annual basis. However, no increase in fees that a client pays shall be effective without prior written notification to the client.

### **RAMSEY INVESTING.COM - INTERNET INVESTMENT PROGRAM**

The Registrant has developed an internet-based investment program (the “Program”). Prior to becoming a Program client, a client is required to complete or execute certain documentation, including a Program agreement setting forth the contractual terms and conditions of the engagement and a *Risk Tolerance Questionnaire*. Upon review of the *Risk Tolerance Questionnaire* and if desired by the client, an initial telephone consultation will take place between Registrant and the client.

The Registrant shall then allocate the investment assets, on a discretionary basis, into a model portfolio (the “Portfolio”) as determined by the *Risk Tolerance Questionnaire* and the initial telephone conversation. The client must direct Registrant to allocate the investment assets within the Portfolio in underlying investments that are characterized as Active, Socially Responsible or Passive. Thereafter, Registrant is authorized, without

prior consultation with the client, to rebalance the assets within the Portfolio on an ongoing, periodic, basis to maintain the designated asset allocation. Additionally, at Registrant's discretion, Registrant may also make tactical adjustments or partial rebalances to the portfolio at any time. All rebalancing activity is conducted by investment personnel of the Registrant, and not by algorithms, although the determination of whether to rebalance is guided by percentage allocation targets.

The underlying mutual funds and/or exchange traded funds ("ETFs") that comprise a Portfolio are subject to change at the exclusive discretion of Registrant. However, Registrant shall continue to manage the assets within the initial designated Portfolio until such time as the client has notified Registrant, in writing (electronic mail will suffice), that there has been a change in his/her financial situation and/or investment objectives, and has submitted a new *Risk Tolerance Questionnaire* for review by Registrant.

Unless the client notifies Registrant about a change in his/her financial situation and/or investment objectives, the extent of Registrant's interaction with the client will be limited to up to three initial telephone consultations and, thereafter, an optional telephone conference every twelve (12) months to review account performance and investment objectives. It remains the client's exclusive responsibility to notify Registrant of any changes in his/her investment objectives and/or financial situation. Registrant shall not be required to verify any information obtained from client and is expressly authorized to rely thereon.

Electronic delivery is a condition of participating in the Program. Most information and documentation pertaining to the Program, including Portfolio descriptions, the *Risk Tolerance Questionnaire*, the Registrant's Form ADV Part 2 and Privacy Notice, and account reports prepared by Registrant are described on the Program's website and delivered electronically. However, certain features of the Program permit telephone communication, such as the annual review, termination, and notice of death or disability.

The Program is limited to the management of the assets and **does not** include financial planning, tax planning, insurance planning, estate planning, or any other consulting services

## **MISCELLANEOUS**

**Limitations of Non-Investment Consulting/Implementation Services.** Except for the Program, the Registrant may provide consulting services regarding non-investment related matters to the extent requested by the client, such as, tax and insurance planning. Neither the Registrant, nor any of its representatives, serves as an attorney, accountant, or licensed insurance agent, and no portion of the Registrant's services should be construed as legal, accounting, or insurance implementation services. Accordingly, the Registrant **does not** prepare estate planning documents, tax returns, or sell insurance products. To the extent requested by a client, the Registrant may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance, etc.). The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from the Registrant. If the client engages any recommended professional, and a dispute arises relative to that engagement, the client agrees to seek recourse exclusively from the engaged professional. It remains the client's responsibility to promptly notify the Registrant if there is ever any change in their financial situation or investment objectives

for the purpose of reviewing, evaluating, or revising Registrant's previous recommendations and/or services.

**Independent Managers.** For Investment Advisory Services clients, the Registrant may also recommend that certain clients engage independent investment managers (the "Independent Manager(s)") to manage all or a portion of the client's assets. The Registrant currently uses an investment management program sponsored by Envestnet Asset Management ("Envestnet") and in the future may use such other investment management programs as Registrant determines to be appropriate. The terms and conditions (including the amount of fees to be paid to the Independent Manager(s)) under which the client shall engage the Independent Manager(s) will be set forth in a separate written agreement between the client and Envestnet. Registrant shall continue to render advisory services to the client relative to ongoing financial planning and the monitoring and review of the Independent Manager(s) performance, for which Registrant shall receive an annual advisory fee and clients are billed quarterly by Envestnet.

**Annual Financial Planning Review Services.** To the extent specifically requested by the client, and agreed to by Registrant, Registrant *may* continue to provide annual financial planning review services on an hourly fee basis.

**Non-Discretionary Service Limitations.** Investment Advisory Services are provided primarily on a non-discretionary basis and clients must be willing to accept that the Registrant generally cannot enter into account transactions without obtaining prior verbal, electronic or written consent. Thus, in the event that Registrant would like to make a transaction for a client's account (including in the event of an individual holding or general market correction), and the client is unavailable, the Registrant will be unable to effect the account transaction without first obtaining the client's verbal, electronic or written consent.

**Client Obligations.** In performing its services, Registrant 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 their responsibility to promptly notify the Registrant if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating, or revising Registrant's previous recommendations and/or services.

**Retirement Plan Rollovers:** A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). If the Registrant recommends that a client roll over their retirement plan assets into an account to be managed by the Registrant, such a recommendation creates a conflict of interest if the Registrant will earn an advisory fee on the rolled over assets. No client is under any obligation to roll over plan assets to an IRA managed by the Registrant or to engage the Registrant to monitor and/or manage the account while maintained at the client's employer. The Registrant's Chief Compliance Officer, Karen S. Ramsey, remains available to address any questions that a client or prospective client may have regarding the conflict of interest presented by such a rollover recommendation.

**Use of Mutual Funds and Exchange Traded Funds.** While the Registrant may recommend allocating investment assets to mutual funds that are not available directly to the public, the Registrant may also recommend that clients allocate investment assets to publically-available mutual funds and exchange traded funds that a client could obtain without engaging Registrant as an investment adviser. However, if a client or prospective client determines to allocate investment assets to publically-available mutual funds or exchange traded funds without engaging Registrant as an investment adviser, they would not receive the benefit of Registrant's initial and ongoing investment advisory services.

- C. The Registrant shall provide investment advisory services specific to the needs of each client. For Investment Advisory Services clients, an investment adviser representative will ascertain each client's investment objective(s) prior to providing investment advisory services. The Program relies on the *Risk Tolerance Questionnaire* and the initial telephone conversation as the basis of the initial investment advisory services. For Investment Advisory Services clients, the Registrant will then allocate and/or recommend that the client allocate investment assets consistent with the client's designated investment objective(s). Investment Advisory Services clients may, at any time, impose reasonable restrictions, in writing, on the Registrant's services. Program clients are unable to make requests for specific securities to be excluded from their account.
- D. The Registrant does not offer a wrap fee program for its investment advisory services. However, Registrant is a participating investment adviser in certain unaffiliated wrap fee programs. The program for which Registrant manages Investment Advisory Services accounts on a discretionary basis is sponsored by Envestnet. With respect to this wrap-fee program, clients pay their fees directly to the sponsor who, in turn, remits a portion of those fees to Registrant. The advisory fees remitted to Registrant are based upon an annual percentage of assets under management, and are calculated by the sponsor on a quarterly basis.

(Wrap/Managed Account programs): In the event that Registrant is engaged to provide investment management services as part of an unaffiliated wrap-fee or managed account program, Registrant will be unable to negotiate commissions and/or transaction costs. Under a wrap program, the wrap program sponsor arranges for the investor to receive investment management services, the execution of securities brokerage transactions, custody and reporting services for a single specified fee. Participation in a wrap program may cost the participant more or less than purchasing such services separately. If a managed account program is offered on a non-wrap basis, the program sponsor will determine the broker-dealer through which transactions will be effected, and the amount of transaction fees and/or commissions to be charged to the participant investor accounts.

- E. As of December 31, 2020, the Registrant had \$63,550,939 in assets under management on a discretionary basis and \$175,306,455 in assets under management on a non-discretionary basis.

## **Item 5            Fees and Compensation**

- A. The client can determine to engage the Registrant to provide discretionary and/or non-discretionary investment advisory services and financial planning services on a *fee-only* basis.

## **RAMSEY & ASSOCIATES - INVESTMENT ADVISORY SERVICES**

If a client determines to engage the Registrant to provide combined investment advisory services and financial planning and related consulting services on a negotiable *fee-only* basis, the Registrant's annual investment advisory fee shall be based upon a percentage of the market value of assets placed under the Registrant's management as follows:

<u>ASSETS UNDER MANAGEMENT</u>	<u>ANNUAL FEE</u>
Initial \$1 Million	1.00%
Next \$4 Million	0.50%
All Additional Amounts	0.40%

If the client directs the Registrant to manage certain assets that it acquired before executing an investment advisory agreement with the Registrant, ("Legacy Assets,") those assets will be included as part of the total assets under management and the client will incur a corresponding fee with respect to those Legacy Assets. However, if the Client does not direct the Registrant to actively manage Legacy Assets according to an investment advisory agreement, the Registrant does not include those Legacy Assets in its calculation of total assets under management.

## **RAMSEY INVESTING.COM - INTERNET INVESTMENT PROGRAM**

The Program's annual investment advisory fee is equal to 1.00% of the market value of assets placed under the Registrant's management. The Registrant imposes a minimum annual fee of \$1,000 on Program accounts.

- B. The Registrant's advisory fees are deducted from the client's custodial account. Both Registrant's *Investment Advisory Agreement* and the custodial/clearing agreement may authorize the custodian to debit the account for the amount of the Registrant's investment advisory fee and to directly remit that management fee to the Registrant in compliance with regulatory procedures. In the limited event that the Registrant bills the client directly, payment is due upon receipt of the Registrant's invoice. Program clients will have their advisory fees deducted from their accounts.
- C. As discussed below, unless the client directs otherwise or an individual client's circumstances require, the Registrant shall generally recommend that Charles Schwab and Co., Inc. ("*Schwab*") serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as *Schwab* charge transaction fees for effecting certain securities transactions (e.g., transaction fees are charged for certain no-load mutual funds and commissions are charged for fixed income securities transactions). In addition to Registrant's investment advisory fee, brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses).

**Trade away/Prime Broker Fees.** Relative to its discretionary investment management services, when beneficial to the client, individual fixed income transactions may be effected through broker-dealers other than the account custodian, in which event, the client generally will incur both the fee (commission, mark-up/mark-down) charged by the executing broker-dealer and a separate "trade away" and/or prime broker fee charged by the account custodian.

With respect to the unaffiliated wrap fee program sponsored by Envestnet, clients shall pay two sets of fees for management of their account. In particular, clients will pay the Registrant's annual investment advisory fee as discussed under Item 5A above, in addition to: (i) a program fee ranging between 0.3% and 0.4%; and (ii) separate account manager fees ranging between 0.4% and 0.5%.

- D. Except for assets that are invested through Envestnet or a similar platform, Investment Advisory Services and Program fees shall be prorated and are payable monthly, in arrears, based upon the market value of the assets, adjusted for inflows and outflows, on the last business day of the previous month.

The *Investment Advisory Agreement* between the Registrant and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the *Investment Advisory Agreement*. Upon termination, and to the extent applicable, the Registrant shall debit or invoice the account for the pro-rated portion of any unpaid advisory fee based upon the number of days that services were provided during the billing period. Any unearned, advanced advisory fees will be refunded.

- E. Neither the Registrant, nor its representatives accept compensation from the sale of securities or other investment products.

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

Neither the Registrant nor any supervised person of the Registrant accepts performance-based fees.

## **Item 7            Types of Clients**

The Registrant's clients shall generally include individuals and high net worth individuals. The Registrant generally requires a \$750,000 minimum asset level for investment advisory services provided to Investment Advisory Services clients. Program accounts generally requires a \$1,000 minimum annual fee. Therefore, if a client maintains less than \$100,000 in a Program account and is subject to the \$1,000 minimum fee, the client will pay a higher annual fee than 1%. The Registrant, in its sole discretion, may reduce its investment advisory fee and/or reduce or waive its minimum asset requirement for non-Program clients or its minimum annual fee for Program clients based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

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

- A. The Registrant may utilize the following methods of security analysis:
- Charting - (analysis performed using patterns to identify current trends and trend reversals to forecast the direction of prices)
  - Fundamental - (analysis performed on historical and present data, with the goal of making financial forecasts)



- Technical – (analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices)

The Registrant may utilize the following investment strategies when implementing investment advice given to clients:

- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)

**Investment Risk.** Investing in securities involves risk of loss that clients should be prepared to bear. Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by the Registrant) will be profitable or equal any specific performance level(s).

- B. The Registrant's methods of analysis and investment strategies do not present any significant or unusual risks. However, every method of analysis has its own inherent risks. To perform an accurate market analysis, the Registrant must have access to current/new market information. The Registrant has no control over the dissemination rate of market information; therefore, unbeknownst to the Registrant, certain analyses may be compiled with outdated market information, severely limiting the value of the Registrant's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

The Registrant's primary investment strategies - Long Term Purchases and Short Term Purchases - are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy.

- C. Currently, for Investment Advisory Services clients, the Registrant primarily allocates client investment assets among various debt (bonds) and fixed income securities, mutual funds and/or exchange traded funds, on a non-discretionary basis. In addition, for Investment Advisory Services clients, the Registrant may recommend Independent Managers in accordance with a client's designated investment objectives. (*See* Independent Managers above). Program clients are invested in model portfolios that are comprised of mutual funds and/or ETFs. The Registrant manages the model portfolios and client accounts on a discretionary basis.

## **Item 9           Disciplinary Information**

The Registrant has not been the subject of any disciplinary actions.

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

- A. Neither the Registrant, nor its representatives, are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. Neither the Registrant, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.
- C. The Registrant does not have any relationship or arrangement that is material to its advisory business or to its clients with any related person.

**National Advisors Holdings, Inc.** Registrant's Principal, Karen S. Ramsey, is a shareholder of National Advisors Holdings, Inc. ("NAH"), a savings and loan holding company. Ms. Ramsey holds a minority interest of the outstanding stock of NAH. NAH has formed a federal trust company known as National Advisors Trust Company ("NATC"). NAH and NATC are regulated by the Office of the Comptroller of the Currency (OCC), a bureau of the U.S. Treasury Department. The trust company intends to provide a low cost alternative to traditional trust service providers. The Registrant may refer clients to NATC for custody and/or trust services. The Registrant does not receive any direct compensation for making these recommendations to clients. However, Ms. Ramsey will participate in profits and losses of NAH as a result of her minority ownership stake in the company. Therefore, the Registrant has a conflict of interest in referring clients to NAH for custody and trust services. Clients are not obligated to utilize these services.

**Other Business Interests.** Registrant's Principal, Karen S. Ramsey, is a fifty percent (50%) member of R-S, LLC. R-S, LLC, is a real estate holding entity, whose sole asset is Registrant's office space. No clients of Registrant are solicited to invest in this entity.

- D. The Registrant does not receive, directly or indirectly, compensation from investment advisors that it recommends or selects for its clients.

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

- A. The Registrant maintains an investment policy relative to personal securities transactions. This investment policy is part of Registrant's overall Code of Ethics, which serves to establish a standard of business conduct for all of Registrant's Representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, the Registrant also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by the Registrant or any person associated with the Registrant.

- B. Neither the Registrant nor any related person of Registrant recommends, buys, or sells for client accounts, securities in which the Registrant or any related person of Registrant has a material financial interest.

- C. The Registrant and/or representatives of the Registrant *may* buy or sell securities that are also recommended to clients. This practice may create a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a conflict of interest. Practices such as “scalping” (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if the Registrant did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, “front-running” (i.e., personal trades executed prior to those of the Registrant’s clients) and other potentially abusive practices.

The Registrant has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of the Registrant’s “Access Persons”. The Registrant’s securities transaction policy requires that an Access Person of the Registrant must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person’s current securities holdings at least annually, in addition to a written report of the Access Person’s quarterly transactions.

- D. The Registrant and/or representatives of the Registrant *may* buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a conflict of interest. As indicated above in Item 11.C, the Registrant has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of Registrant’s Access Persons.

## **Item 12 Brokerage Practices**

- A. In the event that the client requests that the Registrant recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct the Registrant to use a specific broker-dealer/custodian), Registrant generally recommends that investment management accounts be maintained at *Schwab*. Program accounts must be maintained at Schwab. Prior to engaging Registrant to provide investment management services, the client will be required to enter into a formal *Investment Advisory Agreement* with Registrant setting forth the terms and conditions under which Registrant shall manage the client’s assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that the Registrant considers in recommending or using *Schwab* (or any other broker-dealer/custodian to clients) include historical relationship with the Registrant, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by Registrant’s clients shall comply with the Registrant’s duty to seek best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where the Registrant determines, in good faith, that the commission/transaction fee is reasonable. 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 broker-dealer’s

services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Registrant will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, Registrant's investment advisory fee.

1. Non-Soft Dollar Research and Additional Benefits

Registrant can receive from *Schwab* or another broker-dealer, custodian, investment platform, including *Envestnet*, unaffiliated investment manager, or mutual fund or product sponsor, free or discounted support services or products, certain of which assist the Registrant to better monitor and service client accounts. This may include, but is not limited to, investment-related research, pricing information and market data, software and technology that provides access to client account data, compliance or practice management publications, consulting services, travel expense and attendance at conferences, educational and social events, marketing support, computer hardware and software and other products used in Registrant's investment advisory business operations.

As indicated above, certain of the support services or products that the Registrant *may* receive may assist the Registrant in managing and administering client accounts. Others do not directly provide such assistance, but rather assist the Registrant to manage and further develop its business enterprise.

Registrant's clients do not pay more for investment transactions effected or assets maintained at *Schwab* and/or *Envestnet* as a result of these arrangements. There is no corresponding commitment made by the Registrant to *Schwab* or *Envestnet* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products because of the above arrangement.

**The Registrant's Chief Compliance Officer, Karen S. Ramsey, remains available to address any questions that a client or prospective client may have regarding the above arrangement and the conflicts of interest such arrangements create.**

2. The Registrant does not receive referrals from broker-dealers.
3. Directed Brokerage. The Registrant does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and Registrant will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by Registrant. As a result, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

In the event that the client directs Registrant to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher

commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through Registrant. Higher transaction costs adversely impact account performance. Transactions for directed accounts will generally be executed following the execution of portfolio transactions for non-directed accounts.

**The Registrant's Chief Compliance Officer, Karen S. Ramsey, remains available to address any questions that a client or prospective client may have regarding the above arrangement.**

- B. Transactions for each client account generally will be effected independently, unless the Registrant decides to purchase or sell the same securities for several clients at approximately the same time. The Registrant may (but is not obligated to) combine or "bunch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among the Registrant's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. The Registrant shall not receive any additional compensation or remuneration as a result of such aggregation.

### **Item 13      Review of Accounts**

- A. Investment Advisory Services and Program account reviews are conducted on an ongoing basis by the Registrant's Principals and/or representatives. All clients are advised that it remains their responsibility to advise the Registrant of any changes in their investment objectives and/or financial situation. All Investment Advisory Services clients are encouraged to review their investment objectives and account performance with the Registrant on an annual basis either in person or by telephone. All Program clients are encouraged to review their investment objectives and account performance with the registrant on an annual basis by telephone.
- B. The Registrant may conduct account reviews on an other than periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.
- C. Clients are provided, at least quarterly, with transaction confirmation notices and regular summary account statements directly from the broker-dealer/custodian for the client accounts. Investment Advisory Services clients will have access to a quarterly report from the Registrant's website, if applicable, summarizing account status and performance. Program clients will have access to performance reports on the Registrant's website at any time.

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

- A. As referenced in Item 12.A.1 above, the Registrant may receive economic benefits from *Schwab* and/or *Envestnet*, including support services and/or products without cost (and/or at a discount).

Registrant's clients do not pay more for investment transactions effected and/or assets maintained at *Schwab* and/or *Envestnet* as a result of this arrangement. There is no corresponding commitment made by the Registrant to *Schwab* and/or *Envestnet* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement. **The Registrant's Chief Compliance Officer, Karen S. Ramsey, remains available to address any questions that a client or prospective client may have regarding the above arrangement and the conflict of interest the arrangement creates.**

- B. The Registrant does not compensate, directly or indirectly, any person for client referrals.

## **Item 15      Custody**

The Registrant generally has the ability to have its advisory fee for clients debited by the custodian. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. The Registrant may also provide a written periodic report summarizing account activity and performance.

To the extent that the Registrant provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by the Registrant with the account statements received from the account custodian. The account custodian does not verify the accuracy of the Registrant's advisory fee calculation.

## **Item 16      Investment Discretion**

Except with respect to assets invested through *Envestnet* or similar platforms, Investment Advisory Services clients receive services on a limited discretionary basis. The Registrant only manages individual bond portfolios on a discretionary basis. Prior to the Registrant assuming discretionary authority over a client's account, client shall be required to execute an *Investment Advisory Agreement*, granting the Registrant with the authority to buy, sell, or otherwise effect investment transactions in individual bonds.

Clients who engage the Registrant on a limited discretionary basis may, at any time, impose restrictions, in writing, on the Registrant's authority.

## **Item 17      Voting Client Securities**

- A. Except with respect to those assets managed by an Independent Manager, clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets.
- B. Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact the Registrant to discuss any questions they may have with a particular solicitation.

**Item 18      Financial Information**

- A. The Registrant does not solicit fees of more than \$1,200, per client, six months or more in advance.
- B. The Registrant is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.
- C. The Registrant has not been the subject of a bankruptcy petition.

**ANY QUESTIONS: The Registrant's Chief Compliance Officer, Karen S. Ramsey, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.**