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## **Firm Brochure**

(Part 2A of Form ADV)

### ITEM 1 – COVER PAGE

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This brochure provides information about the qualifications and business practices of Garrison Asset Management, LLC (“Garrison”), a Securities & Exchange Commission (SEC) registered investment advisor. Registration with the SEC does not imply a certain level of skill or training.

If you have any questions about the contents of this brochure, please contact us at: 479-587-1045, or by email at: [info@GarrisonFinancial.com](mailto:info@GarrisonFinancial.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 Garrison Asset Management, LLC is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

March 16, 2022

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**ITEM 2 – MATERIAL CHANGES**

This document contains our full brochure.

The following discusses only the material changes since the last annual update of our brochure, which occurred in March of 2021.

There have been no material changes in our business since the last annual update of our brochure, which occurred in March of 2021.

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**ITEM 4 - Advisory Business****ITEM 4a – Describe your advisory firm, including how long you have been in business. Identify your principal owner(s).**

Our firm is an SEC registered investment advisory firm providing investment management, portfolio management and wealth management services to individual investors and small to medium sized institutional investors in the United States. We (or our predecessors) have been in business since 1988. We provide separate account portfolio management, including supervisory services and wealth management services on a fee-only basis to our clients. We are compensated on the basis of fees, or a percentage of assets under our management.

On a small minority of our accounts, we do not provide portfolio management on a discretionary basis, but instead receive direction from our clients on how they would like their portfolios structured. We do this on a non-fee basis as a courtesy, accommodation, and convenience to certain clients. Our office is located in Fayetteville, AR.

**Principal Owners**

The three principals of our firm, Kerry W. Bradley, CFA, MBA, Glenn E. Atkins, CFA, MBA, and James B. Bell, CFA, collectively own a significant majority of our business. Kerry W. Bradley, CFA, MBA, owns the majority of our firm and no other person or entity other than the three principals, owns more than 5% of the firm.

**Item 4b - Describe the types of advisory services you offer. If you hold yourself out as specializing in a particular type of advisory service, such as financial planning, quantitative analysis, or market timing, explain the nature of that service in greater detail. If you provide investment advice only with respect to limited types of investments, explain the type of investment advice you offer, and disclose that your advice is limited to those types of investments.**

Our business is fee only, separate account discretionary investment management, portfolio management and wealth management services.

“Fee only” investment management means that we charge a fee for managing your investment portfolio (see Fees & Compensation later in this brochure), and do not earn a commission on securities bought and sold within your account. We believe this more closely aligns our interests with yours. For instance, when we buy or sell a security for your account we do so because we believe it is in your best interest to do so, not because we will earn a commission on the transaction.

“Separate account” investment management means that your account is held in your name, under your tax identification number and that your account is not commingled with the accounts of our other clients.

“Discretionary” means that you have authorized us to buy and sell securities for your account that we believe meet the requirements of your Investment Policy Statement (see below) without notifying you in advance of our transactions. Within a few days after we place buy or sell orders in your account you will receive a written or electronic “trade confirmation” from your custodian that will provide you the details of the transaction we placed on your behalf. You will also receive from us a quarterly statement which will provide you with a list of the securities we have bought and sold in your account during the period.

We will primarily use the following types of securities in client accounts we manage:

1. Equities, or common stocks
2. Preferred stocks
3. Warrants
4. Corporate debt
5. Commercial paper
6. Certificates of deposit
7. Municipal securities
8. Mutual funds
  - a. open end
  - b. closed end
9. Exchange traded funds
10. American Depositary Receipts (ADR’s)
11. United States government securities including agency securities
12. Option contracts

Your account may not contain each of the security types mentioned above.

We also manage assets on a discretionary basis in a sub-advisory capacity for other registered investment advisors. We assist with the management of all or a portion of the client’s assets per the terms and conditions of the other advisor’s Investment Advisory Agreement and Sub-Advisory Addendum, or per the terms of a Tri-Party agreement between us, the other advisor, and their client.

In this arrangement we are considered the Manager and the other registered investment advisor is considered the Adviser or Advisor. When acting in this capacity, we (the Manager) shall maintain day-to-day discretionary management authority for the assets allocated to us by the Adviser. At all times, the Adviser shall maintain both the

initial and ongoing day-to-day relationship with the client, including initial and ongoing determination of client suitability for the Manager's investment strategies. Our obligation is limited to management of the allocated assets consistent with the objective and/or strategy designated by the Adviser. We are not affiliated with these other Advisors.

We do not provide financial planning and related consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. **Please Note:** We **do not** serve as an attorney, accountant, or insurance agency, and no portion of our services should be construed as providing these functions. Accordingly, we **do not** prepare estate planning documents, tax returns or sell insurance products.

**ITEM 4c - Explain whether (and, if so, how) you tailor your advisory services to the individual needs of clients. Explain whether clients may impose restrictions on investing in certain securities or types of securities.**

All of the investment management services we provide to you are custom-tailored for your specific situation. We take into account such considerations as your risk tolerance, your time horizon, your tax situation and your need or desire for income or capital growth, among others. Although most of our clients choose not to do so, you have the ability to request that we do or do not invest your portfolio in certain kinds of securities. Examples would include tobacco companies, alcoholic beverage companies, and companies that supply military hardware, among others.

After we have discussed your risk tolerance, time horizon, and other items that are important for us to understand your investment needs, we may draft a written Investment Policy Statement on your behalf that we will use as our road map in how we manage and structure your investment portfolio. You should review this Investment Policy Statement at least annually or more frequently if your personal situation changes and let us know if we should be managing your investment portfolio differently.

In performing our services, we do not verify information received from you or from your other professionals and we are authorized to rely on the information you provide to us in this regard. You should promptly notify us if there is any change in your financial situation or investment objectives for the purpose of reviewing/evaluating/revising our previous recommendations and/or services to you.

For sub-advised accounts, we rely solely on information and instructions provided to us by your other Adviser.

**ITEM 4d – If you participate in wrap fee programs by providing portfolio management services, (1) describe the differences, if any, between how you manage wrap fee accounts and how you manage other accounts, and (2) explain that you receive a portion of the wrap fee for your services.**

Wrap fee programs are programs that “wrap” investment management and trading fees into one combined fee structure. We do not participate in wrap fee programs.

**ITEM 4e – If you manage client assets, disclose the amount of client assets you manage on a discretionary basis and the amount of client assets you manage on a non-discretionary basis. Disclose the date “as of” which you calculated the amounts.**

As of 3-16-2022 we manage approximately \$297,397,509 in discretionary assets and \$13,096,729 in non-discretionary assets. Thus, total assets under management are approximately \$310,494,238.

**ITEM 5 – Fees and Compensation**

**A. Describe how you are compensated for your advisory services. Provide your fee schedule. Disclose whether the fees are negotiable.**

Our stated annual fee schedule is shown below:

1.00% for accounts between \$100,000 and \$2,000,000 in value  
0.75% for accounts between \$2,000,001 and \$5,000,000 in value  
Accounts over \$5,000,000 are negotiated

**Please Note:** Fees On Margin Balances: We do not use margin as part of our normal investment strategies unless you specifically direct us to do so. Certain clients use margin loans on their accounts for different reasons and strategies related to their ongoing investment goals, risk tolerances, and time horizons. For example, some clients use margin as funding for additional investment opportunities. Based on the reasons and goals for use of margin balances, and upon discussion with you, we may or may not charge a fee on the higher margin balances within your accounts. Fees are charged on a case by case basis. However, there may be incidental, short term margin balances in your account for example when trades settle prior to availability of funds or when you overdraw your account due to insufficient funds on a check or debit card transaction in your account. Margin balances may also occur when you request a withdrawal from your account prior to settled funds being available to cover such a withdrawal. **Please**

**Also Note:** However, when you elect to margin your account for any reason, and when we bill on the higher margin balance, this creates a conflict of interest between us and you. Because we may earn a fee on this higher margin balance, we have a disincentive to encourage you to reduce or eliminate the margin balance on your account.

**Please Note: Fees On Cash Balances and Money Market Mutual Funds:** In times of very low market interest rates our fee on your cash balances and money market mutual funds may exceed the amount of interest earned on these funds. Although we will not generally hold significant cash balances in your accounts for extended periods of time, we do consider cash to be an asset class subject to our investment discretion. During times of market volatility and at other times, in our sole discretion, we may increase the cash balance and/or money market mutual fund balance in your account. As such, our fee will be charged on cash balances and money market mutual fund balances held in your account and will be considered as part of your assets under management with us when we calculate our fee.

Certain account fees are negotiated based on the nature, size and extent of the investment advisory services provided. Our fees for charitable, non-profit and eleemosynary organizations are negotiated based on the nature, size and extent of the investment advisory services provided.

When acting as Manager in a sub-advisory capacity for other Advisors, our fees are negotiated based on the nature, size and extent of investment advisory services provided.

Subject to negotiation, our compensation is payable after the rendering of services is complete (in arrears), generally on a quarterly basis, and our investment advisory contracts are terminable by either party upon notice. You may terminate our contract immediately upon notice to us and we may terminate our contract upon thirty (30) days' notice to you. Please see your contract with us for additional information.

Our contract is terminable, without penalty, on the day we receive written notice of your desire to terminate. We must provide you with 30 days written notice if we desire to terminate our contract with you. Following termination, we will generally take no further action with respect to your account without your prior written instructions.

Investment advisory fees that are earned and payable are prorated through the day of contract termination.

In order to hire us to be your investment advisor you will be required to sign an Investment Management Agreement designating us as your advisor and an Investment Policy Statement as mentioned above. You will also be required to sign the necessary documents to open and establish an investment account at the safe-keeping, custodial institution of your choice.

You may terminate your Investment Management Agreement with us at any time upon written notice to us and there is no financial penalty to do so. We will simply prorate the fee you owe us for our services up to and including the date of termination.

As mentioned earlier, we are a “fee-based” investment manager. This means that under our fee-based arrangement we charge you a fee to manage your investment portfolio.

We will bill you for our services at the annual rates shown above on a quarterly basis after we have performed our investment services for you. We calculate our quarterly fee by averaging your account balance over the quarter and multiplying this amount by one-quarter of our annual fee.

When acting as Manager in a sub-advisory capacity for other Advisors, we calculate our fees to clients by taking the quarter-end market value of each account and multiplying this amount by one-quarter of our annual fee.

Although we will almost always purchase individual stocks and bonds for your account, we will sometimes use mutual funds and/or ETFs to invest in certain sectors of the market. In this case, you will pay us a fee and you will also pay a fee to the mutual fund company in which we invest on your behalf. All of the mutual funds we use for your portfolio will be of the “no-load” variety, which means there are no up-front nor back-end sales charges that you will incur from the funds themselves. However, a few of the funds we use will charge a transaction fee that is typically in the range of \$25 to \$50 per transaction. We are sensitive to both the mutual fund fees and the transaction fees when we select mutual funds for your account. We do not receive any portion of either the mutual fund fees or the transaction fees as part of our compensation. Because our investment style does not rely on heavy, excessive trading, we would expect these transaction fees to be minimal on average over time.

In some cases, we will recommend to you that your entire account should be invested in mutual funds. This normally occurs if your account is less than approximately \$100,000 because it can be difficult for us and expensive for you to properly diversify your investment portfolio if it is less than this amount. You can also request that we use all mutual funds in your account if you wish. Like the example above, you will be charged our investment management fee and you will also be charged a fee by each mutual fund that we purchase for your account. Some of these mutual funds may also charge you a transaction fee that is typically in the range of \$25 to \$50 per transaction. We do not receive any portion of either the mutual fund fees or the transaction fees as part of our compensation. Because our investment style does not rely on heavy, excessive trading, we would expect these transaction fees to be minimal on average over time.

We may, from time to time, purchase mutual funds and exchange traded funds for your account. Most mutual funds are available directly to the public. You might be able to obtain many of the mutual funds that may be recommended and/or utilized by us independent of engaging us as an investment advisor. However, if you determine to do so, you

will not receive our initial and ongoing investment advisory services. In addition to Garrison's investment advisory fee, you will also incur fees and expenses at the fund level.

**ITEM 5b – Describe whether you deduct fees from clients' assets or bill clients for fees incurred. If clients may select either method, disclose this fact. Explain how often you bill clients or deduct your fees.**

Most of our clients give us written authority to deduct our fees on a quarterly basis directly from their account. However, you can choose to pay us by check, bank wire, or money order if you wish. In any case we will provide you a detailed billing statement showing how our fee was calculated and the amount we will deduct from your account or the amount that you currently owe to us for our services.

When acting as Manager in a sub-advisory capacity with other Advisors we may deduct the fee directly from your account or the other Advisor may deduct the fee and forward our portion to us. You may be able to pay your other Adviser by check, bank wire, or money order. We will provide your Adviser with a detailed billing statement showing how our fee or the joint fee for us and the Adviser was calculated.

You should carefully review this billing information and compare it to the portfolio appraisals and other information we will provide to you. You should also compare your billing information to the statements you will receive from your custodian. If you believe there are errors in the amount of our fee or its calculation, or other reporting errors, please bring them to our attention immediately.

**ITEM 5c - Describe any other types of fees or expenses clients may pay in connection with your advisory services, such as custodian fees or mutual fund expenses. Disclose that clients will incur brokerage and other transaction costs, and direct clients to the section(s) of your brochure that discuss brokerage.**

Depending on the nature of your account with us as described above, you may pay mutual fund fees in addition to our fees. You may also pay custodian, brokerage and other transaction costs on your account with us. Please see ITEM 12 – Brokerage Practices below for a detailed description of other fees that you may pay related to your account with us. Also see Item 5 a and Item 5 b, above.

**ITEM 5d – If your clients either may or must pay your fees in advance, disclose this fact. Explain how a client may obtain a refund of a pre-paid fee if the advisory contract is terminated before the end of the billing period. Explain how you will determine the amount of the refund.**

As mentioned earlier our fees are billed to you after we have provided our investment management services. If you choose to terminate your relationship with us your fee will be prorated through the day of termination.

**ITEM 5e1 – If you or any of your supervised persons accepts compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds, disclose this fact and respond to Items 5.E.1, 5.E.2, 5.E.3 and 5.E.4.**

**Explain that this practice presents a conflict of interest and gives you or your supervised persons an incentive to recommend investment products based on the compensation received, rather than on a client's needs. Describe generally how you address conflicts that arise, including your procedures for disclosing the conflicts to clients. If you primarily recommend mutual funds, disclose whether you will recommend "no-load" funds.**

Not applicable.

**ITEM 5e2 – Explain that clients have the option to purchase investment products that you recommend through other brokers or agents that are not affiliated with you.**

Not applicable.

**ITEM 5e3 – If more than 50% of your revenue from advisory clients results from commissions and other compensation for the sale of investment products you recommend to your clients, including asset-based distribution fees from the sale of mutual funds, disclose that commissions provide your primary or, if applicable, your exclusive compensation.**

Not applicable.

**ITEM 5e4 – If you charge advisory fees in addition to commissions or markups, disclose whether you reduce your advisory fees to offset the commissions or markups.**

We have no clients of this type.

**ITEM 6 – Performance Based Fees & Side-By-Side Management**

**If you or any of your supervised persons accepts performance-based fees – that is, fees based on a share of capital gains on or capital appreciation of the assets of a client (such as a client that is a hedge fund or other pooled investment vehicle) – disclose this fact. If you or any of your supervised persons manage both accounts that are charged a performance-based fee and accounts that are charged another type of fee, such as an hourly or flat fee or an asset-based fee, disclose this fact. Explain the conflicts of interest that you or your supervised persons face by managing these accounts at the same time, including that you or your supervised persons have an incentive to favor accounts for which you or your supervised persons receive a performance-based fee, and describe generally how you address these conflicts.**

We do not charge our clients performance-based fees.

Side-by-Side Management would be if we had clients with performance-based fees and clients that were charged a different type of fee such as an asset-based fee. We also do not have side-by-side based fee structures.

**ITEM 7 – Types Of Clients**

**Describe the types of clients to whom you generally provide investment advice, such as individuals, trusts, investment companies, or pension plans. If you have any requirements for opening or maintaining an account, such as a minimum account size, disclose the requirements.**

Most of our clients are individuals or families, high net worth individuals or families, IRAs, trusts, profit sharing plans, and small to mid-sized institutions such as foundations and endowments.

Our minimum account size is \$100,000 for an account that will be invested in all individual stocks, \$250,000 for an account that will be invested entirely in bonds, and \$300,000 for an account that will be invested in a mix of stocks and bonds. Based on the nature of the account relationship we may take client accounts with amounts smaller than these, but will generally recommend to you that we invest your account in one or more mutual funds in order to provide the proper amount of investment diversification in the most cost effective manner.

We may, in our sole discretion, charge a lesser investment management fee 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.).

**Please Note: Retirement Rollovers - Potential for Conflict of Interest:**

When you leave your employer you typically have four options regarding your 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 we recommend that you roll over your retirement plan assets into an account to be managed by us, such a recommendation creates a conflict of interest if we will earn an advisory fee on the rolled over assets. **You are not under any obligation to rollover retirement plan assets to an account managed by us. Our Chief Compliance Officer, Glenn E. Atkins, CFA, MBA, remains available to address any questions that you may have regarding the potential for conflict of interest presented by such rollover recommendation.**

If you are:

- (1) a participant or beneficiary of a Retirement Plan subject to Title I of the Employee Retirement Income Security Act ("ERISA") or described in section 4975(e)(1)(A) of the Internal Revenue Code (the "Code"), with authority to direct the investment of assets in his or her Plan account or to take a distribution;
- (2) the beneficial owner of an Individual Retirement Account ("IRA") acting on behalf of the IRA; or,
- (3) a Retail Fiduciary with respect to a plan subject to Title I of ERISA or described in section 4975(e)(1)(A) of the Code,

then we represent that the firm and our investment adviser representatives are fiduciaries under ERISA or the Code, or both, with respect to any investment advice provided by us or our investment adviser representatives or with

respect to any investment recommendations regarding a Retirement Plan subject to ERISA or participant or beneficiary account.

## **ITEM 8 - Methods Of Analysis, Investment Strategies and Risk Of Loss**

### **ITEM 8a – Describe the methods of analysis and investment strategies you use in formulating investment advice or managing assets. Explain that investing in securities involves risk of loss that clients should be prepared to bear.**

Investing in any type of investment or asset except for risk free assets (generally thought to be US Government obligations if held to maturity) involves significant amounts of risk that you should be prepared to bear. You may lose a portion or even all of your investment assets when you invest them in the financial markets with us or another manager.

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 us on your behalf) will be profitable or equal any specific performance level(s).

Investment risk runs the gamut from relatively low risk, low expected return investments to high risk, high expected return investments. We maintain well diversified portfolios with each security representing 5% or less of the portfolio's market value at the time of purchase. Exceptions to this include US Treasury & US Agency securities and mutual funds, which themselves are well diversified. Accounts that are smaller than our stated minimums may also contain securities that are greater than 5% of the portfolio's value as more fully explained in our written Investment Policy Statement with you.

Our investment philosophy strives to provide income, capital appreciation & capital preservation through a disciplined approach of asset allocation, security selection, and portfolio construction which is consistent with long-term wealth building, inflation protection and the realization your objectives.

Our investment style is based on the financial fundamentals of the companies in which we invest. We conduct our own investment and company research in-house using our team of professional analysts to pick securities we believe are good investments. As we are generally fully invested according to your Investment Policy Statement, we do not try to time the markets. In fact, we have no way of knowing with any degree of certainty when a market bottom or top has been reached and we are not comfortable trying to predict these conditions. We remain focused on trying to select good companies that will be worthy of your investment dollars over the long term.

We believe it is important to be well diversified across industry sectors, market sectors, market capitalization, and geography. We believe it is important to think of your investments as a “portfolio” and not concentrate on one good or one bad performing security by itself.

Our investment and portfolio management process focuses on 1) our economic outlook, 2) our interest rate expectations, 3) our inflation outlook, 4) the current regulatory environment, 5) our allocations to various sectors of the market, 6) our security screening and selection process, 7) proper portfolio diversification, 8) the monitoring of our investments, and 9) rebalancing our investments so that they remain consistent with your Investment Policy Statement, time horizon and risk tolerances.

Our All Capitalization Core Equity Strategy is comprised of the following elements:

- “All Cap Equity” Approach
  - Cross Section of Large-to-Small Capitalization Companies
  - Proper Industry & Sector Diversification
  - Balanced Mix of Growth & Value Stocks
- Focused on Rigorous Independent Fundamental Research
  - Attractive Industry Dynamics
  - Efficient Operations That Generate Attractive Returns On Investment
  - Strong Management Focused On Building Shareholder Value Over The Long Term
- Long-term Approach
  - Focused on buying durable businesses that create shareholder value over the long-term
- Valuation
  - Focus on both absolute and relative valuation
  - PE, PEG, Price/Cash Flow, Dividend Yield, EV/Sales, EV/EBITDA
- Buy Discipline
  - We consider buying a position when we believe the shares exhibit a compelling value for the expected level of risk
- Sell Discipline
  - We consider selling a position when we believe the shares are trading at an excessive valuation, a negative change in industry or company fundamentals has occurred, or an alternative investment exhibits a better value
- Diversification
  - 5% In A Security, 25% In An Industry, Daily Monitoring Of Positions
- Traditional Financial Statement Analysis
  - Ratio Analysis, Earnings Estimates, Cash Flow Estimates, Growth Potential, Strong Balance Sheets

- Qualitative Assessment of Company Management

### Our Core Bond Strategy

Our Core Bond Strategy is comprised of the following elements:

- Fundamental Research Driven
- Corporate Bond Focus
- Conservative, Income Focused Style
- In-House Bond Ratings
- Focused On Absolute & Relative Value
- Long-Term Focus
  - Shifts between corporate, governments, etc., occur deliberately
  - When changes are made, we are attempting to capture value changes among these sectors
- Buy Discipline
  - Relative Value Analysis, Credit Quality/Security Analysis, Maturity/Duration, Industry/Sector Diversification
- Sell Discipline
  - Deterioration In Credit Quality, Sector No Longer Exhibits Relative Value, Maturity/Duration Do Not Match Current Interest Rate Outlook, Portfolio Structure Does Not Match Our Interest Rate Outlook
- Diversification Risk
  - Issuer: 5% of market value
  - Issue: 5% of par value
  - Industry: 25% of market value

### Our Growth & Income Balanced strategy is based on:

- Our balanced strategy is a combination of our All Cap Core Equity and Core Bond Strategy
- We create portfolios that strive to produce income and capital appreciation to meet current income needs while also providing opportunities for growth to protect against inflation
- Periodic rebalancing to IPS guidelines takes advantage of the opportunity provided by market fluctuations

All of our investment strategies are based primarily on fundamental industry and company analysis. We may use long term purchases, short term purchases, margin transactions, short sales and options in your account when we mutually determine they are appropriate for your account. Rarely will we “actively trade” your account.

**ITEM 8b - For each significant investment strategy or method of analysis you use, explain the material risks involved. If the method of analysis or strategy involves significant or unusual risks, discuss these risks in detail. If your primary strategy involves frequent trading of securities, explain how frequent trading can affect investment performance, particularly through increased brokerage and other transaction costs and taxes.**

Our investment strategy, like most others, involves significant risk in terms of execution, timing, investment performance, market conditions, and other risks both known and unknown, including many of which are beyond our control. You could lose all or a significant portion of your investment with us if our strategy is unsuccessful, if the timing of our purchases and sales are incorrect, if you choose to or must liquidate your account during times of market stress, if the risk of the underlying securities you own changes for any reason and we are unable to offset this risk, or if your withdrawal rates are greater than those that can reasonably be sustained from your portfolio, among other reasons, many of which are beyond our control. You should carefully consider your own risk tolerances and behavior patterns prior to utilizing our investment management or any other investment management services.

Investing in any type of investment or asset except for risk free assets (generally thought to be US Government obligations if held to maturity) involves significant amounts of risk that you should be prepared to bear. You may lose a portion or even all of your investment assets when you invest them in the financial markets. Investment risk runs the gamut from relatively low risk, low expected return investments to high risk, high expected return investments. We maintain well diversified portfolios with each security representing 5% or less of the portfolio's market value at the time of purchase. Exceptions to this include US Treasury & US Agency securities and mutual funds, which themselves are well diversified.

Investing in the stock market is particularly risky. Although the market has on average returned around 10% annually since the mid-1920's, in some individual years the market has been down almost 55%. You should not invest all or even a majority of your assets in the stock market if you do not fully understand its potential volatility and riskiness and are also mentally and financially able to absorb these risks and the potential for significant losses.

Even investments in the corporate and Government bond markets have been risky in the past. Generally, though, bonds are not considered to be as risky as stocks. Although the government bond market has on average returned more than 5% annually since the mid-1920's, in some individual years the market has been down around 10%. Corporate bonds may be down more than this in any given year. You should not invest all or even a majority of

your assets in the bond market if you do not fully understand its potential volatility and riskiness and are also mentally and financially able to absorb these risks and the potential for significant losses.

**ITEM 8c – If you recommend primarily a particular type of security, explain the material risks involved. If the type of security involves significant or unusual risks, discuss these risks in detail.**

We recommend you invest your assets in the financial markets only after having jointly and carefully considered several factors with you, including: 1) your time horizon, 2) your risk tolerance and 3) your investment goals and objectives.

Given the significant potential losses described above we recommend that you invest in a well-diversified portfolio of stocks, bonds, and/or mutual funds and that you are prepared both mentally and financially to withstand the potential for material losses over both short and long term investment time horizons while attempting to meet your investment goals and objectives.

The negative effects from inflation on your standard of living may also be a significant risk factor that you will face over your lifetime. Even during periods of relatively moderate inflation levels of around 3% annually, your cost of living can be expected to double within about 23 years. Therefore, you must carefully balance the risks in the market as explained above and the risk to your standard of living from the potential effects of future inflation.

**ITEM 9 – Disciplinary Information**

NONE of the following items in this section, ITEM 9, applies to any member of our firm, nor to the firm itself.

**If there are legal or disciplinary events that are material to a *client's* or prospective *client's* evaluation of your advisory business or the integrity of your management, disclose all material facts regarding those events.**

**Items 9.A, 9.B, and 9.C list specific legal and disciplinary events presumed to be material for this Item. If your advisory firm or a *management person* has been involved in one of these events, you must disclose it under this Item for ten years following the date of the event, unless (1) the event was resolved in your or the *management person's* favor, or was reversed, suspended or vacated, or (2) you have rebutted the presumption of materiality to determine that the event is not material (see Note below). For purposes of calculating this ten-year period, the “date” of an event is the date that the final *order*, *judgment*, or *decree* was entered, or the date that any rights of appeal from preliminary *orders*, *judgments* or *decrees* lapsed.**

Items 9.A, 9.B, and 9.C do not contain an exclusive list of material disciplinary events. If your advisory firm or a *management person* has been *involved* in a legal or disciplinary event that is not listed in Items 9.A, 9.B, or 9.C, but nonetheless is material to a *client's* or prospective *client's* evaluation of your advisory business or the integrity of its management, you must disclose the event. Similarly, even if more than ten years have passed since the date of the event, you must disclose the event if it is so serious that it remains material to a *client's* or prospective *client's* evaluation.

**A. A criminal or civil action in a domestic, foreign or military court of competent jurisdiction in which your firm or a *management person***

1. was convicted of, or pled guilty or nolo contendere ("no contest") to (a) any *felony*; (b) a *misdemeanor* that involved investments or an *investment-related* business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, or extortion; or (c) a conspiracy to commit any of these offenses;

2. Is the named subject of a pending criminal *proceeding* that involves an *investment-related* business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, extortion, or a conspiracy to commit any of these offenses;

3. was *found* to have been involved in a violation of an *investment-related* statute or regulation; or

4. was the subject of any *order*, judgment, or decree permanently or temporarily enjoining, or otherwise limiting, your firm or a *management person* from engaging in any *investment-related* activity, or from violating any *investment-related* statute, rule, or *order*.

**B. An administrative *proceeding* before the SEC, any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority in which your firm or a *management person***

1. was *found* to have caused an *investment-related* business to lose its authorization to do business; or

2. was *found* to have been involved in a violation of an *investment-related* statute or regulation and was the subject of an *order* by the agency or authority

(a) denying, suspending, or revoking the authorization of your firm or a *management person* to act in an *investment-related* business;

(b) barring or suspending your firm's or a *management person's* association with an *investment-related* business;

(c) otherwise significantly limiting your firm's or a *management person's* *investment-related* activities; or

(d) imposing a civil money penalty of more than \$2,500 on your firm or a *management person*.

C. A self-regulatory organization (SRO) proceeding in which your firm or a *management person*

1. was *found* to have caused an *investment-related* business to lose its authorization to do business; or

2. was *found* to have been *involved* in a violation of the SRO's rules and was: (i) barred or suspended from membership or from association with other members or was expelled from membership; (ii) otherwise significantly limited from *investment-related* activities; or (iii) fined more than \$2,500.

Note: You may, under certain circumstances, rebut the presumption that a disciplinary event is material. If an event is immaterial, you are not required to disclose it. When you review a legal or disciplinary event involving your firm or a *management person* to determine whether it is appropriate to rebut the presumption of materiality, you should consider all of the following factors: (1) the proximity of the *person involved* in the disciplinary event to the advisory function; (2) the nature of the infraction that led to the disciplinary event; (3) the severity of the disciplinary sanction; and (4) the time elapsed since the date of the disciplinary event. If you conclude that the materiality presumption has been overcome, you must prepare and maintain a file memorandum of your determination in your records. See SEC rule 204-2(a)(14)(iii).

#### ITEM 10 - Other Financial Industry Activities and Affiliations

ITEM 10a – If you or any of your management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer, disclose this fact.

Not applicable.

ITEM 10b – If you or any of your management persons are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of the foregoing entities, disclose this fact.

We are not now, nor do we intend to become, registered as a futures commission merchant, commodity pool operator, a commodity trading advisor, or an associated person of any of these entities.

ITEM 10c – Describe any relationship or arrangement that is material to your advisory business or to your clients that you or any of your management persons have with any related person listed below. Identify the

**related person and if the relationship or arrangement creates a material conflict of interest with clients, describe the nature of the conflict and how you address it.**

- 1. broker-dealer, municipal securities dealer, or 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. accountant or accounting firm**
- 7. lawyer or law firm**
- 8. insurance company or agency**
- 9. pension consultant**
- 10. real estate broker or dealer**
- 11. sponsor or syndicator of limited partnerships.**

We act in the capacity of sub-advisor for certain other independent SEC-registered investment advisors and are paid a fee for this service. We do not own any portion of, nor do we control the management or practices of these independent advisors. Likewise, they do not own or control any part of us. Our relationship with these independent advisors is on an arms-length basis. We provide investment management and portfolio management services for these advisors’ clients using the same investment methodologies we use for our direct clients. We do not believe our relationship with these independent advisors presents a conflict of interest with either you, the advisors, or their clients.

**ITEM 10d – If you recommend or select other investment advisers for your clients and you receive compensation directly or indirectly from those advisers that creates a material conflict of interest, or if you have other business relationships with those advisers that create a material conflict of interest, describe these practices and discuss the material conflicts of interest these practices create and how you address them.**

From time to time if we believe it is appropriate for your particular investment situation, we may recommend you use an investment advisor other than us to achieve certain investment goals. You will be charged our regular fee for this service, however, we do not receive any direct or indirect compensation from these other investment advisors for recommending you to them and placing your assets with them. Therefore, there is no conflict of interest between us and you if we do so. The other advisor will also charge a fee for their services to you.

**ITEM 11 – Code Of Ethics, Participation Or Interest In Client Transactions & Personal Trading**

**ITEM 11a – If you are an SEC-registered adviser, briefly describe your code of ethics adopted pursuant to SEC rule 204A-1 or similar state rules. Explain that you will provide a copy of your code of ethics to any client or prospective client upon request.**

We have three Chartered Financial Analyst (CFA) charter holders who are principals/Members of our firm. Because they have earned the right to use this prestigious designation, they are also required to adhere to the Code of Ethics and Standards of Professional Conduct of their professional governing body, the CFA Institute. More information on the CFA Institute and its programs can be found here: <https://www.cfainstitute.org/Pages/index.aspx>

Therefore, as a firm, we have adopted in its entirety the Code of Ethics and Standards of Professional Conduct of the CFA Institute, which is shown below.

**Code of Ethics and Standards of Professional Conduct**

**Preamble**

The CFA Institute Code of Ethics and Standards of Professional Conduct are fundamental to the values of CFA Institute and essential to achieving its mission to lead the investment profession globally by setting high standards of education, integrity, and professional excellence. High ethical standards are critical to maintaining the public's trust in financial markets and in the investment profession. Since their creation in the 1960s, the Code and Standards have promoted the integrity of CFA Institute members and served as a model for measuring the ethics of investment professionals globally, regardless of job function, cultural differences, or local laws and regulations. All CFA Institute members (including holders of the Chartered Financial Analyst® [CFA®] designation) and CFA candidates must abide by the Code and Standards and are encouraged to notify their employer of this responsibility. Violations may result in disciplinary sanctions by CFA Institute. Sanctions can include revocation of membership, revocation of candidacy in the CFA Program, and revocation of the right to use the CFA designation.

## **The Code of Ethics**

Members of CFA Institute (including CFA charter holders) and candidates for the CFA designation (“Members and Candidates”) must:

- Act with integrity, competence, diligence, respect, and in an ethical manner with the public, clients, prospective clients, employers, employees, colleagues in the investment profession, and other participants in the global capital markets.
- Place the integrity of the investment profession and the interests of clients above their own personal interests.
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities.
- Practice and encourage others to practice in a professional and ethical manner that will reflect credit on themselves and the profession.
- Promote the integrity of and uphold the rules governing capital markets.
- Maintain and improve their professional competence and strive to maintain and improve the competence of other investment professionals.

## **Standards of Professional Conduct**

### **I. PROFESSIONALISM**

**A. Knowledge of the Law.** Members and Candidates must understand and comply with all applicable laws, rules, and regulations (including the CFA Institute Code of Ethics and Standards of Professional Conduct) of any government, regulatory organization, licensing agency, or professional association governing their professional activities. In the event of conflict, Members and Candidates must comply with the more strict law, rule, or regulation. Members and Candidates must not knowingly participate or assist in and must dissociate from any violation of such laws, rules, or regulations.

**B. Independence and Objectivity.** Members and Candidates must use reasonable care and judgment to achieve and maintain independence and objectivity in their professional activities. Members and Candidates must not offer,

solicit, or accept any gift, benefit, compensation, or consideration that reasonably could be expected to compromise their own or another's independence and objectivity.

**C. Misrepresentation.** Members and Candidates must not knowingly make any misrepresentations relating to investment analysis, recommendations, actions, or other professional activities.

**D. Misconduct.** Members and Candidates must not engage in any professional conduct involving dishonesty, fraud, or deceit or commit any act that reflects adversely on their professional reputation, integrity, or competence.

## II. INTEGRITY OF CAPITAL MARKETS

**A. Material Nonpublic Information.** Members and Candidates who possess material nonpublic information that could affect the value of an investment must not act or cause others to act on the information.

**B. Market Manipulation.** Members and Candidates must not engage in practices that distort prices or artificially inflate trading volume with the intent to mislead market participants.

## III. DUTIES TO CLIENTS

**A. Loyalty, Prudence, and Care.** Members and Candidates have a duty of loyalty to their clients and must act with reasonable care and exercise prudent judgment. Members and Candidates must act for the benefit of their clients and place their clients' interests before their employer's or their own interests.

**B. Fair Dealing.** Members and Candidates must deal fairly and objectively with all clients when providing investment analysis, making investment recommendations, taking investment action, or engaging in other professional activities.

### **C. Suitability.**

**1.** When Members and Candidates are in an advisory relationship with a client, they must:

**a.** Make a reasonable inquiry into a client's or prospective client's investment experience, risk and return objectives, and financial constraints prior to making any investment recommendation or taking investment action and must reassess and update this information regularly.

**b.** Determine that an investment is suitable to the client's financial situation and consistent with the client's written objectives, mandates, and constraints before making an investment recommendation or taking investment action.

c. Judge the suitability of investments in the context of the client's total portfolio.

2. When Members and Candidates are responsible for managing a portfolio to a specific mandate, strategy, or style, they must make only investment recommendations or take only investment actions that are consistent with the stated objectives and constraints of the portfolio.

**D. Performance Presentation.** When communicating investment performance information, Members and Candidates must make reasonable efforts to ensure that it is fair, accurate, and complete.

**E. Preservation of Confidentiality.** Members and Candidates must keep information about current, former, and prospective clients confidential unless:

1. The information concerns illegal activities on the part of the client or prospective client,
2. Disclosure is required by law, or
3. The client or prospective client permits disclosure of the information.

#### **IV. DUTIES TO EMPLOYERS**

**A. Loyalty.** In matters related to their employment, Members and Candidates must act for the benefit of their employer and not deprive their employer of the advantage of their skills and abilities, divulge confidential information, or otherwise cause harm to their employer.

**B. Additional Compensation Arrangements.** Members and Candidates must not accept gifts, benefits, compensation, or consideration that competes with or might reasonably be expected to create a conflict of interest with their employer's interest unless they obtain written consent from all parties involved.

**C. Responsibilities of Supervisors.** Members and Candidates must make reasonable efforts to ensure that anyone subject to their supervision or authority complies with applicable laws, rules, regulations, and the Code and Standards.

## V. INVESTMENT ANALYSIS, RECOMMENDATIONS, AND ACTIONS

### A. Diligence and Reasonable Basis. Members and Candidates must:

1. Exercise diligence, independence, and thoroughness in analyzing investments, making investment recommendations, and taking investment actions.
2. Have a reasonable and adequate basis, supported by appropriate research and investigation, for any investment analysis, recommendation, or action.

### B. Communication with Clients and Prospective Clients.

Members and Candidates must:

1. Disclose to clients and prospective clients the basic format and general principles of the investment processes they use to analyze investments, select securities, and construct portfolios and must promptly disclose any changes that might materially affect those processes.
2. Disclose to clients and prospective clients significant limitations and risks associated with the investment process.
3. Use reasonable judgment in identifying which factors are important to their investment analyses, recommendations, or actions and include those factors in communications with clients and prospective clients.
4. Distinguish between fact and opinion in the presentation of investment analysis and recommendations.

**C. Record Retention.** Members and Candidates must develop and maintain appropriate records to support their investment analyses, recommendations, actions, and other investment related communications with clients and prospective clients.

## VI. CONFLICTS OF INTEREST

**A. Disclosure of Conflicts.** Members and Candidates must make full and fair disclosure of all matters that could reasonably be expected to impair their independence and objectivity or interfere with respective duties to their clients, prospective clients, and employer. Members and Candidates must ensure that such disclosures are prominent, are delivered in plain language, and communicate the relevant information effectively.

**B. Priority of Transactions.** Investment transactions for clients and employers must have priority over investment transactions in which a Member or Candidate is the beneficial owner.

**C. Referral Fees.** Members and Candidates must disclose to their employer, clients, and prospective clients, as appropriate, any compensation, consideration, or benefit received from or paid to others for the recommendation of products or services.

## **VII. RESPONSIBILITIES AS A CFA INSTITUTE MEMBER OR CFA CANDIDATE**

### **A. Conduct as Members and Candidates in the CFA Program.**

Members and Candidates must not engage in any conduct that compromises the reputation or integrity of CFA Institute or the CFA designation or the integrity, validity, or security of the CFA Institute programs.

### **B. Reference to CFA Institute, the CFA Designation, and the CFA Program.**

When referring to CFA Institute, CFA Institute membership, the CFA designation, or candidacy in the CFA Program, Members and Candidates must not misrepresent or exaggerate the meaning or implications of membership in CFA Institute, holding the CFA designation, or candidacy in the CFA program.

**ITEM 11b – If you or a related person recommends to clients, or buys or sells for client accounts, securities in which you or a related person has a material financial interest, describe your practice and discuss the conflicts of interest it presents. Describe generally how you address conflicts that arise.**

**Examples: (1) You or a related person, as principal, buys securities from (or sells securities to) your clients; (2) you or a related person acts as general partner in a partnership in which you solicit client investments; or (3) you or a related person acts as an investment adviser to an investment company that you recommend to clients.**

We do not recommend buying or selling securities in which we also have a direct or indirect material financial interest. See ITEM 11c, below.

**ITEM 11c – If you or a related person invests in the same securities (or related securities, e.g., warrants, options or futures) that you or a related person recommends to clients, describe your practice and discuss the conflicts of interest this presents and generally how you address the conflicts that arise in connection with personal trading.**

From time to time our owners, employees and their respective family members may own or invest in securities that you also own or may own in the future.

Also, from time to time our owners or employees and their respective family members may purchase or sell the same securities that you own at the same time, or very near the same time, we are purchasing or selling these same securities for your account. Although we do not believe it does, these practices have the potential to create a conflict of interest between us and you. However, at all times we put the interests of our clients above our own, as more fully described below.

As mentioned, these practices may present a conflict of interest for us and you and our interests may differ from yours. For example, if we intended to buy 10,000 shares of a stock at a certain price and we actually do buy 10,000 shares, each account, including yours and ours, receives the average price.

However, if we intended to buy 10,000 shares of a particular stock at a certain price but were only able to obtain 5,000 shares at that price, how do we allocate that investment opportunity between clients, owners, employees and family members? This situation is referred to as a “partial fill” and occurs sometimes, but rarely, in the financial industry.

If we are faced with a partial fill, securities are allocated first to client accounts that are not employees of our firm. If there are not enough shares to fill these client accounts, then what shares are available are allocated amongst client accounts that are not employees in a random fashion. Each account receives the average price.

Any remaining shares are then allocated to owner, employee, and family member accounts in a random fashion, with each account receiving the average price.

This process occurs for purchases and sales of both stocks and bonds and is reviewed by our Chief Compliance Officer and is approved by both our Chief Compliance Officer and the employee conducting the trade to ensure that the allocation process is fair to our clients. A file is maintained that logs these partial fills and how they were allocated. We believe this process removes any potential conflict of interest that may arise.

We (including our employees, owners, and family members) may also from time to time invest in the same mutual funds, including money market mutual funds, and exchange traded funds, that we also purchase or sell for your account. These mutual funds, money market funds and exchange traded funds are available in sufficient quantity such that we do not believe this situation creates a conflict of interest between us and you.

We may also from time to time buy or sell securities in our own accounts (including employees, owners, and family members) that we believe are not appropriate, and thus perhaps too risky, for client accounts based on their riskiness and other attributes. If we believed these investments were appropriate for client accounts, we would buy or sell them for client accounts under the policies mentioned above. We do not believe this creates a conflict of interest between us and you.

Because each of our client portfolios is separately managed, we may also buy or sell securities for your account that we do not purchase or sell for all or any of our other clients. This is due to a number of factors which may include the time frame in which you became our client, differences in your risk tolerances and time horizon when compared to our other clients and our opinion of the current valuation of the security versus our original purchase or sale date, among other factors. We do not believe this creates a conflict of interest between us, you and/or our other clients.

All securities transactions in our employee accounts are reviewed periodically by our Chief Compliance Officer.

**ITEM 11d – If you or a related person recommends securities to clients, or buys or sells securities for client accounts, at or about the same time that you or a related person buys or sells the same securities for your own (or the related person's own) account, describe your practice and discuss the conflicts of interest it presents. Describe generally how you address conflicts that arise.**

See Item 11c, above.

**Note: The description required by Item 11.A may include information responsive to Item 11.B, C or D. If so, it is not necessary to make repeated disclosures of the same information. You do not have to provide disclosure in response to Item 11.B, 11.C, or 11.D with respect to securities that are not “reportable securities” under SEC rule 204A-1(e)(10) and similar state rules.**

## **ITEM 12 – Brokerage Practices**

### **The Custodian and Brokers We Use**

In the event that you request that we recommend a broker-dealer/custodian for execution and/or custodial services, we will generally recommend that your investment accounts be maintained at *Schwab*. Prior to engaging us to provide investment management services, you will be required to enter into a formal *Investment Advisory Agreement*

with us setting forth the terms and conditions under which we will provide advice on your assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that we consider in recommending *Schwab* (or any other broker-dealer/custodian to clients) include historical relationships with us, financial strength, reputation, execution capabilities, pricing, research, and other services. Although the commissions and/or transaction fees paid by you will comply with our duty to obtain best execution, you may pay a transaction fee that is higher than another qualified broker-dealer might charge to effect the same transaction where we determine, in good faith, that the 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 we will seek competitive rates, we may not necessarily obtain the lowest possible commission rates for your account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, our investment advisory fee. We do not receive any portion of these brokerage or transaction fees as part of our compensation.

**Non-Soft Dollar Research and Additional Benefits:** Although not a material consideration when determining whether to recommend that you utilize the services of a particular broker-dealer/custodian, we *may* receive from *Schwab* (or another broker-dealer/custodian, investment manager, platform or fund sponsor, or vendor) without cost (and/or at a discount) support services and/or products, certain of which assist us to better monitor and service your accounts that are maintained at such institutions. Included within the support services that may be obtained by us may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support-including client events, computer hardware and/or software and/or other products used by us in furtherance of our investment advisory business operations.

As indicated above, certain of the support services and/or products that *may* be received may assist us in managing and administering your accounts. Other support services that do not directly provide such assistance, may assist us in managing and further developing our business enterprise.

You do not pay more for investment transactions effected and/or assets maintained at *Schwab* as a result of this arrangement. There is no corresponding commitment made by us to *Schwab* or any other any entity to invest any specific amount or percentage of your assets in any specific mutual funds, securities or other investment products as result of the above arrangement.

**Our Chief Compliance Officer, Glenn E. Atkins, CFA, MBA, remains available to address any questions that you may have regarding the above arrangements and any corresponding perceived conflict of interest such arrangements may create.**

**ITEM 12 – A. Describe the factors that you consider in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).**

We seek to recommend a custodian/broker who will hold your assets and execute transactions on terms that are, overall, most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others:

- Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
- Capability to execute, clear, and settle trades (buy and sell securities for your account)
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds [ETFs], etc.)
- Quality of services
- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices
- Reputation, financial strength, and stability
- Prior service to us and our other clients
- Availability of other products and services that benefit us, as discussed below (see “*Products and Services Available to Us From Custodians*”).

Your Brokerage and Custody Costs

For our clients' accounts that *Schwab* maintains, they generally do not charge you separately for custody services but are in some cases compensated by charging you commissions or other fees on trades that they execute or that settle into your account with them. In addition to commissions, *Schwab* charges you a flat dollar amount as a "prime broker" or a "trade away" fee for each trade that we have executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into your *Schwab* account. These fees are in addition to the commissions or other compensation you pay the executing broker-dealer. Because of this, in order to minimize your trading costs, we have *Schwab* execute all of our equity trades for your account and many of our fixed income trades for your account. We will from time to time execute fixed income trades away from *Schwab* when we believe, in our sole discretion, that it is in your best interest to do so.

We have determined that having *Schwab* execute many of our trades is consistent with our duty to seek "best execution" of your trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above (see "*How We Select Brokers/Custodians*").

Relative to our discretionary investment management services, when beneficial to you, individual fixed income transactions may be effected through broker-dealers other than the account custodian, in which event you generally will incur a 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 (*Schwab*). We do not receive any portion of this fee as part of our compensation.

**ITEM 12a1a - Explain that when you use client brokerage commissions (or markups or markdowns) to obtain research or other products or services, you receive a benefit because you do not have to produce or pay for the research, products or services.**

*Schwab* ("the Custodian") provides us and our clients with access to their institutional brokerage—trading, custody, reporting, and related services—many of which are not typically available to retail customers. They also make available various support services. Some of those services help us manage or administer our clients' accounts, while others help us manage and grow our business. The Custodian's support services generally are available on an unsolicited basis (we don't have to request them) and at no charge to us. Following is a more detailed description of the Custodian's support services. Some of these services may not be available at all Custodians:

Services That Benefit You

The Custodian's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, custody of client assets, account statements, and tax reporting statements. The investment products available through them include some to which we might not otherwise have access or that would require a

significantly higher minimum initial investment by our clients. The services described in this paragraph generally benefit you and your account.

#### Services That May Not Directly Benefit You

They also make available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients' accounts. They include investment research, both their own and that of third parties. We may use this research to service all or a substantial number of our clients' accounts, including accounts not maintained at the Custodian. In addition to investment research, the Custodian also make available software and other technology that:

- Provides access to client account data (such as duplicate trade confirmations and account statements)
- Facilitates trade execution and allocates aggregated trade orders for multiple client accounts
- Provides pricing and other market data
- Facilitates payment of our fees from our clients' accounts
- Assists with back-office functions, recordkeeping, and client reporting

#### Services That Generally Benefit Only Us

The Custodian also offers other services intended to help us manage and further develop our business enterprise. These services include:

- Educational conferences and events
- Consulting on technology, compliance, legal, and business needs
- Publications and conferences on practice management and business succession
- Access to employee benefits providers, human capital consultants, and insurance providers

*Schwab* may provide some of these services themselves. In other cases, *Schwab* will arrange for third-party vendors to provide the services to us. They may also discount or waive their fees for some of these services or pay all or a part of a third party's fees.

**ITEM 12A-1b, c, & d**

**b. Disclose that you may have an incentive to select or recommend a broker-dealer based on your interest in receiving the research or other products or services, rather than on your clients' interest in receiving most favorable execution.**

The availability of these services from the Custodian benefit us because we do not have to produce or purchase them. This may give us an incentive to recommend that you maintain your account with the Custodian, based on our interest in receiving their services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest. We believe, however, that your selection of *Schwab* as your custodian is in your best interest. Our recommendation of your selection is primarily supported by the scope, quality, and price of *Schwab's* services (see "*How We Select Brokers/Custodians*") and not their respective services that benefit only us.

**c. If you may cause clients to pay commissions (or markups or markdowns) higher than those charged by other broker-dealers in return for soft dollar benefits (known as paying-up), disclose this fact.**

Other than described elsewhere in this ITEM 12, we do not acquire any products or services by directing client brokerage to certain brokers. In our industry acquiring products or services by directing client brokerage to certain brokers is called "soft-dollar benefits." Under "soft-dollar" arrangements, we would agree to direct a certain amount of our client's brokerage business to certain brokers who, in turn, would provide us with products or services that we would otherwise have to purchase with our own cash. We do not maintain "soft-dollar" arrangements with any brokerage firm.

**d. Disclose whether you use soft dollar benefits to service all of your clients' accounts or only those that paid for the benefits. Disclose whether you seek to allocate soft dollar benefits to client accounts proportionately to the soft dollar credits the accounts generate.**

Other than described elsewhere in this ITEM 12, we do not acquire any products or services by directing client brokerage to certain brokers. In our industry acquiring products or services by directing client brokerage to certain

brokers is called “soft-dollar benefits.” Under “soft-dollar” arrangements, we would agree to direct a certain amount of our client’s brokerage business to certain brokers who, in turn, would provide us with products or services that we would otherwise have to purchase with our own cash. We do not maintain “soft-dollar” arrangements with any brokerage firm.

**ITEM 12a1e & f – Products & Services Acquired With Client Brokerage Commissions**

Other than described elsewhere in this ITEM 12, we do not acquire any products or services by directing client brokerage to certain brokers. In our industry acquiring products or services by directing client brokerage to certain brokers is called “soft-dollar benefits.” Under “soft-dollar” arrangements, we would agree to direct a certain amount of our client’s brokerage business to certain brokers who, in turn, would provide us with products or services that we would otherwise have to purchase with our own cash. We do not maintain “soft-dollar” arrangements with any brokerage firm.

**ITEM 12A-2 – Brokerage for Client Referrals. If you consider, in selecting or recommending broker-dealers, whether you or a related person receives client referrals from a broker-dealer or third party, disclose this practice and discuss the conflicts of interest it creates.**

**a. Disclose that you may have an incentive to select or recommend a broker-dealer based on your interest in receiving client referrals, rather than on your clients’ interest in receiving most favorable execution.**

We do not select or recommend broker-dealers for our clients in return for these broker-dealers referring clients to us.

**b. Explain the procedures you used during your last fiscal year to direct client transactions to a particular broker-dealer in return for client referrals.**

Not applicable.

**ITEM 12A-3 – Directed Brokerage**

**a. If you routinely recommend, request or require that a client direct you to execute transactions through a specified broker-dealer, describe your practice or policy. Explain that not all advisers require their clients to**

**direct brokerage. If you and the broker-dealer are affiliates or have another economic relationship that creates a material conflict of interest, describe the relationship and discuss the conflicts of interest it presents. Explain that by directing brokerage you may be unable to achieve most favorable execution of client transactions, and that this practice may cost clients more money.**

We recommend that you allow us to conduct brokerage transactions on your behalf as described elsewhere in this brochure. Not all investment advisors recommend brokerage services to their clients. In fact, some clients direct their investment advisor to use a particular brokerage of the client's choosing.

Because in most cases we will conduct brokerage through *Schwab* and other brokers of our choice, we may be unable to achieve the most favorable trade executions and security prices on your behalf. This situation may cost you more money than if you were to direct us to use a broker of your choice. Other than our relationship with *Schwab*, described elsewhere in this brochure, we do not maintain affiliations or economic relationships with other broker dealers that would create a conflict of interest between us and you. We also do not own a broker-dealer with which we conduct client trading activity.

We recommend that you utilize the brokerage and custodial services provided by *Schwab*. We generally do not accept directed brokerage arrangements (when you require that account transactions be affected through a specific broker-dealer). In such client directed arrangements, you will negotiate terms and arrangements for your account with that broker-dealer, and we will not seek better execution services or prices from other broker-dealers or be able to "batch" your transactions for execution through other broker-dealers with orders for other accounts managed by us. As a result, you may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for your account than would otherwise be the case.

**Please Note:** In the event that you direct us to effect securities transactions for your accounts through a specific broker-dealer, you correspondingly acknowledge that such direction may cause your account to incur higher commissions or transaction costs than the account would otherwise incur had you determined to effect account transactions through alternative clearing arrangements that may be available through us. Higher transaction costs adversely impact account performance.

**Please Also Note:** Transactions for directed accounts will generally be executed following the execution of portfolio transactions for non-directed accounts.

**Order Aggregation.** Transactions for your account generally will be affected independently, unless we decide to purchase or sell the same securities for several clients at approximately the same time. We may (but are not obligated to) combine or "bunch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among our 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. We don't receive any additional compensation or remuneration as a result of such trade aggregation.

**b. If you permit a client to direct brokerage, describe your practice. If applicable, explain that you may be unable to achieve most favorable execution of client transactions. Explain that directing brokerage may cost clients more money. For example, in a directed brokerage account, the client may pay higher brokerage commissions because you may not be able to aggregate orders to reduce transaction costs, or the client may receive less favorable prices.**

**Note: If your clients only have directed brokerage arrangements subject to most favorable execution of client transactions, you do not need to respond to the last sentence of Item 12.A.3.a. or to the second or third sentences of Item 12.A.3.b.**

At this time we do not allow clients to direct us to conduct trading activity with specific brokers. As mentioned earlier, however, you are permitted to select your own Custodian. See Item 12A-3-a, above.

**ITEM 12B – Discuss whether and under what conditions you aggregate the purchase or sale of securities for various client accounts. If you do not aggregate orders when you have the opportunity to do so, explain your practice and describe the costs to clients of not aggregating.**

Whenever possible and feasible, and in our sole discretion, we will attempt to combine or aggregate security transactions for your account with other client accounts. In other words, we will purchase or sell a large block of a security and then allocate a portion of this purchase or sale to each respective client account, including possibly your account.

Based solely on our discretion, there may be other instances in which we purchase securities solely for your account or for another account or combinations of accounts at our firm that are not entirely aggregated. Even within seconds of such a transaction the market price of that security is likely to change. If we then conduct another transaction in that same security for your account or another account, the price is likely to be different and could be higher or lower for you than if we had aggregated all the orders. We will do this based on market conditions and our assessment of the unique needs and requirements of each individual client as the situation and market conditions warrant at the time, but not with the purposeful intent to cause you or another client to pay a higher or lower price.

From time to time we may, in our sole discretion when we believe such action is in your best interest, execute what are deemed "cross trades" in which we will buy/sell securities from one or more client accounts and at or near the same time, buy/sell the exact same security or securities in one or more different client accounts. These trades are never conducted to or from one of our own, our employees, our owners, or our family members' accounts, nor are they executed to or from client accounts that are themselves related. When cross trades are conducted, they are initiated through independent third-party broker-dealers at then prevailing market prices on both the buy side price (bid) and the sell side price (offer). We disclose to the broker-dealer in advance that we are seeking to effect a cross trade among or between clients of the firm. We believe the prices you will receive in these instances are within the confines of fair market value at the time the cross trades are conducted.

### **ITEM 13 – REVIEW OF ACCOUNTS**

#### **a. Indicate whether you periodically review client accounts or financial plans. If you do, describe the frequency and nature of the review, and the titles of the supervised persons who conduct the review.**

Providing investment management and portfolio management services is the primary focus of our firm. As such, we manage and review your accounts with us on a continuous and regular basis, and as market conditions warrant, using the resources and methods described in this brochure and other information you have received from us. These ongoing reviews are designed to help ensure that your portfolio is continually invested according to the terms of your Investment Policy Statement. All members of our firm are accessible to you as needed to assist you in meeting your investment goals and objectives.

Specifically, the individuals who conduct these reviews are: Kerry L. Bradley, CFA, MBA – President & Equity Portfolio Manager, Glenn E. Atkins, CFA, MBA – Executive Vice President & Fixed Income Portfolio Manager, James Baxter Bell, CFA – Vice President & Portfolio Manager, and Carla M. Atkins, Director of Portfolio Accounting. More detailed biographies for each of these individuals are included later in Part 2B of this brochure. Carla M. Atkins does not provide investment advice to clients but does have direct client contact regarding the administration/accounting aspects related to client portfolios.

#### **b. If you review client accounts on other than a periodic basis, describe the factors that trigger a review.**

If your personal situation changes to such a degree that you think it should have an influence in how we manage your investment portfolio or provide other services to you, please notify us of this fact so we can discuss potential changes.

**c. Describe the content and indicate the frequency of regular reports you provide to clients regarding their accounts. State whether these reports are written.**

On a monthly basis, (but in limited circumstances quarterly), you will receive a written or electronic report from your custodian which will detail various aspects of your account with us. The quarterly statement delivery from the custodian usually occurs on very small accounts in which there was no activity during the month. On a quarterly basis you will receive a comprehensive written report from us detailing various aspects of your account. Reports from us will include: 1) a portfolio appraisal detailing the current holdings in your portfolio, 2) an asset allocation report, 3) a summary of purchases and sales made on your behalf on a year to date basis, 4) a realized gain & loss report on a year to date basis, 5) a comprehensive performance report showing the performance of your account compared to an appropriate market index over various time periods while under our management, and 6) a quarterly billing statement.

**ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION**

**a. If someone who is not a client provides an economic benefit to you for providing investment advice or other advisory services to your clients, generally describe the arrangement, explain the conflicts of interest, and describe how you address the conflicts of interest. For purposes of this Item, economic benefits include any sales awards or other prizes.**

As referenced in Item 12 above, we may receive from *Schwab*, without cost (and/or at a discount), support services and/or products. You do not pay more for investment transactions effected and/or assets maintained at *Schwab* as result of this arrangement. There is no corresponding commitment made by us to *Schwab* or any other entity to invest any specific amount or percentage of your assets in any specific mutual funds, securities or other investment products as a result of the above arrangements. **Our Chief Compliance Officer, Glenn E. Atkins, CFA, MBA, remains available to address any questions that you may have regarding the above arrangements and any corresponding perceived conflict of interest such arrangements may create.**

We receive an economic benefit from *Schwab* in the form of the support products and services they make available to us and other independent investment advisors whose clients maintain accounts with them. These products and services, how they benefit us, and the related conflicts of interest are described above (see *Item 12 – Brokerage Practices*). The availability to us of their respective products and services is not based on us giving particular investment advice to you, such as buying particular securities or mutual funds for our clients from them.

**b. If you or a related person directly or indirectly compensates any person who is not your supervised person for client referrals, describe the arrangement and the compensation.**

**Note: If you compensate any person for client referrals, you should consider whether SEC rule 206(4)-3 or similar state rules regarding solicitation arrangements and/or state rules requiring registration of investment adviser representatives apply.**

We maintain relationships, as a consultant or independent contractor, with a limited number of solicitors pursuant to Rule 206(4)-3 of the Investment Advisors Act of 1940 in which the solicitor seeks to provide us with client referrals under the terms of our Solicitor's Agreement. We pay the solicitor a negotiated percentage of all investment advisory fees received by us from the solicited client. The solicitor agrees to perform his or her responsibility in accordance with written instructions provided by us, the Investment Advisors Act of 1940 (specifically including Rule 206(4)-3 thereof) and any applicable state or federal law. The solicitor will use only the investment advisory and marketing materials provided by us. In no case is the aggregate fee paid by the solicited client greater than the fee the client would have paid directly to us if the client had not been referred to us by the solicitor.

Because you do not pay a higher fee by becoming our client through a solicitor and because you will be notified in writing of the terms of our agreement with any solicitor who introduces us to you, we do not believe this creates a conflict of interest.

## **ITEM 15 – CUSTODY**

**If you have custody of client funds or securities and a qualified custodian sends quarterly, or more frequent, account statements directly to your clients, explain that clients will receive account statements from the broker-dealer, bank or other qualified custodian and that clients should carefully review those statements. If your clients also receive account statements from you, your explanation must include a statement urging clients to compare the account statements they receive from the qualified custodian with those they receive from you.**

Your Custodian maintains actual physical custody of your assets. You will receive account statements directly from your custodian, typically monthly, but sometimes quarterly, as explained in Item 13(c), above. They will be sent to the email or postal mailing address you provided to the custodian. You should carefully review those statements promptly when you receive them. We also urge you to compare your account statements from your custodian to the periodic account statements & portfolio reports you will receive from us and to notify us promptly of any discrepancies.

**ITEM 16 – Investment Discretion**

**If you accept discretionary authority to manage securities accounts on behalf of clients, disclose this fact and describe any limitations clients may (or customarily do) place on this authority. Describe the procedures you follow before you assume this authority (e.g., execution of a power of attorney).**

We have discretionary authority over the significant majority of our client accounts. This means that we have the authority to conduct trades in your account on your behalf according to the terms of your Investment Policy Statement without providing advanced notice to you. You will receive trade confirmations from your custodian several days after the trade date that will provide details on the trades we conduct in your account on your behalf. You will also receive a quarterly report from us showing the purchases and sales we have made on your behalf on a year to date basis.

Your written agreement with your custodian and your written Investment Advisory Agreement with us provides us with a limited power of attorney to conduct discretionary trades in your account on your behalf. You should review these documents carefully.

Occasionally clients will request that we not invest in certain stocks or bonds or certain assets classes to which they have an aversion. We will notify you prior to the beginning of our relationship whether or not we can accommodate requests of this nature. We will also commit any such restriction to writing as part of your Investment Policy Statement with us.

On certain limited occasions and at our sole discretion, we may place securities in your account that you have specifically instructed us to purchase or we may sell securities from your account that we or you have previously purchased, in each case at your specific direction. The term for this in our industry is an “unsolicited” trade and we will mark our internal trade tickets with this designation. You, and not us, will be solely responsible for the future economic performance or lack thereof of any security placed or removed from your account in this manner. You will also be responsible for instructing us when to sell or repurchase a security that enters or exits your account in this manner.

You may also instruct us not to sell (and therefore to hold) certain securities that exist in your account prior or subsequent to you becoming our client. In this case we will characterize these securities as “unsupervised” and we may not bill you on the unsupervised amount of your portfolio. You, and not us, will be solely responsible for the future economic performance or lack thereof for any unsupervised securities in your account. We will not consider unsupervised securities in your account to be under our investment management or control and we will not be obligated to provide ongoing monitoring of these securities.

**ITEM 17 – Voting Client Securities**

**a. If you have, or will accept, authority to vote client securities, briefly describe your voting policies and procedures, including those adopted pursuant to SEC rule 206(4)-6. Describe whether (and, if so, how) your clients can direct your vote in a particular solicitation. Describe how you address conflicts of interest between you and your clients with respect to voting their securities. Describe how clients may obtain information from you about how you voted their securities. Explain to clients that they may obtain a copy of your proxy voting policies and procedures upon request.**

We will accept the authority to vote your securities if you so request. You may make this designation on the custodial application. We contract our proxy voting to an independent third party provider Broadridge Financial Solutions which provides us with a service called ProxyEdge. Broadridge Financial Solutions is leading full-service outsourcing provider to the global financial industry. Should a conflict of interest arise, we will defer to your voting preference upon your notification. You may obtain information from us about how your securities were voted upon your request. You may also receive a copy of our proxy voting policies and procedures upon your request. We use Broadridge's "Glass Lewis & Co." voting guidelines which are typically used by registered investment advisors such as us. Our proxy voting guidelines are listed below.

INVESTMENT MANAGER GUIDELINES  
AN ADDENDUM TO THE PROXY PAPER  
POLICY GUIDELINES

The Glass Lewis Investment Manager Guidelines are designed to maximize returns for investment managers by voting in a manner consistent with such managers' active investment decision-making. The guidelines are designed to increase investor's potential financial gain through the use of the shareholder vote while also allowing management and the board discretion to direct the operations, including governance and compensation, of the firm. The guidelines will ensure that all issues brought to shareholders are analyzed in light of the fiduciary responsibilities unique to investment advisors and investment companies on behalf of individual investor clients including mutual fund shareholders. The guidelines will encourage the maximization of return for such clients through identifying and avoiding financial, audit and corporate governance risks.

Management Proposals

Election of Directors

In analyzing directors and boards, Glass Lewis' Investment Manager Guidelines generally support the election of incumbent directors except when a majority of the company's directors are not independent or where directors fail to attend at least 75% of board and committee meetings. In a contested election, we will apply the standard Glass Lewis recommendation.

#### Auditor

The Glass Lewis Investment Manager Guidelines will generally support auditor ratification except when the non-audit fees exceed the audit fees paid to the auditor.

#### Compensation

Glass Lewis recognizes the importance in designing appropriate executive compensation plans that truly reward pay for performance. We evaluate equity compensation plans based upon their specific features and will vote against plans that would result in total overhang greater than 20% or that allow the repricing of options without shareholder approval. The Glass Lewis Investment Manager Guidelines will follow the general Glass Lewis recommendation when voting on management advisory votes on compensation ("say-on-pay") and on executive compensation arrangements in connection with merger transactions (i.e., golden parachutes). Further, the Investment Management Guidelines will support annual advisory compensation votes.

#### Authorized Shares

Having sufficient available authorized shares allows management to avail itself of rapidly developing opportunities as well as to effectively operate the business. However, we believe that for significant transactions management should seek shareholders' approval to justify the use of additional shares. Therefore, shareholders should not approve the creation of a large pool of unallocated shares without some rationale of the purpose of such shares. Accordingly, where we find that the company has not provided an appropriate plan for use of the proposed shares, or where the number of shares far exceeds those needed to accomplish a detailed plan, we typically vote against the authorization of additional shares. We also vote against the creation of or increase in (i) blank check preferred shares and (ii) dual or multiple class capitalizations.

#### Shareholder Rights

Glass Lewis Investment Manager Guidelines will generally support proposals increasing or enhancing shareholder rights such as declassifying the board, allowing shareholders to call a special meeting, eliminating supermajority voting and adopting majority voting for the election of directors. Similarly, the Investment Manager Guidelines will generally vote against proposals to eliminate or reduce shareholder rights.

## Mergers/Acquisitions

Glass Lewis undertakes a thorough examination of the economic implications of a proposed merger or acquisition to determine the transaction's likelihood of maximizing shareholder return. We examine the process used to negotiate the transaction as well as the terms of the transaction in making our voting recommendation. The Glass Lewis Investment Manager Guidelines will vote in accordance with the standard Glass Lewis policy recommendation on mergers, acquisitions and other financing transactions.

## Shareholder Proposals

We review and vote on shareholder proposals on a case-by-case basis. We recommend supporting shareholder proposals if the requested action would increase shareholder value, mitigate risk or enhance shareholder rights but generally recommend voting against those that would not ultimately impact performance.

## Governance

The Glass Lewis Investment Manager Guidelines will support reasonable initiatives that seek to enhance shareholder rights, such as the introduction of majority voting to elect directors, elimination in/reduction of supermajority provisions, the declassification of the board and requiring the submission of shareholder rights' plans to a shareholder vote. The guidelines generally support reasonable, well-targeted proposals to allow increased shareholder participation at shareholder meetings through the ability to call special meetings and ability for shareholders to nominate director candidates to a company's board of directors. However, the Investment Manager Guidelines will vote against proposals to require separating the roles of CEO and chairman.

## Compensation

The Glass Lewis Investment Manager Guidelines will generally oppose any shareholder proposals seeking to limit compensation in amount or design. However, the guidelines will vote for reasonable and properly-targeted shareholder initiatives such as to require shareholder approval to reprice options, to link pay with performance, to eliminate or require shareholder approval of golden coffins, to allow a shareholder vote on excessive golden parachutes (i.e., greater than 2.99 times annual compensation) and to clawback unearned bonuses. The Investment Manager Guidelines will vote against requiring companies to allow shareholders an advisory compensation vote.

## Environment

Glass Lewis' Investment Manager Guidelines vote against proposals seeking to cease a certain practice or take certain action related to a company's activities or operations with environmental. Further, the Glass Lewis'

Investment Manager Guidelines generally vote against proposals regarding enhanced environment disclosure and reporting, including those seeking sustainability reporting and disclosure about company's greenhouse gas emissions, as well as advocating compliance with international environmental conventions and adherence to environmental principles like those promulgated by CERES.

## Social

Glass Lewis' Investment Manager Guidelines generally oppose proposals requesting companies adhere to labor or worker treatment codes of conduct, such as those espoused by the International Labor Organization, relating to labor standards, human rights conventions and corporate responsibility at large conventions and principles. The guidelines will also vote against proposals seeking disclosure concerning the rights of workers, impact on local stakeholders, workers' rights and human rights in general. Furthermore, the Investment Manager Guidelines oppose increased reporting and review of a company's political and charitable spending as well as its lobbying practices.

Glass Lewis does not provide recommendations for: (i) noteholder or bondholder meetings; (ii) consent meetings; (iii) private companies; or (iv) bankruptcy meetings. In addition, Glass Lewis will provide a case-by-case recommendation for proposals that ask clients to attest to their personal interest, residence status, or any corporate action-related proposals.

**b. If you do not have authority to vote client securities, disclose this fact. Explain whether clients will receive their proxies or other solicitations directly from their custodian or a transfer agent or from you, and discuss whether (and, if so, how) clients can contact you with questions about a particular solicitation.**

You may vote your own securities if you so choose. If you decide to vote your own securities, you will receive proxies and other solicitations directly from your custodian or transfer agent. You may contact the professionals at Garrison if you have any questions about a particular solicitation.

## **ITEM 18 – Financial Information**

**a. If you require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, include a balance sheet for your most recent fiscal year.**

We do not require nor solicit prepayment of client fees in any amount.

**1. The balance sheet must be prepared in accordance with generally accepted accounting principles, audited by an independent public accountant, and accompanied by a note stating the principles used to prepare it, the basis of securities included, and any other explanations required for clarity.**

**2. Show parenthetically the market or fair value of securities included at cost.**

**3. Qualifications of the independent public accountant and any accompanying independent public accountant's report must conform to Article 2 of SEC Regulation S-X.**

**Note: If you are a sole proprietor, show investment advisory business assets and liabilities separate from other business and personal assets and liabilities. You may aggregate other business and personal assets unless advisory business liabilities exceed advisory business assets.**

**Note: If you have not completed your first fiscal year, include a balance sheet dated not more than 90 days prior to the date of your brochure.**

**Exception: You are not required to respond to Item 18.A of Part 2A if you also are: (i) a qualified custodian as defined in SEC rule 206(4)-2 or similar state rules; or (ii) an insurance company.**

Not required to be disclosed because we do not solicit prepayment of client fees.

#### **ITEM 18b & c – Contractual Commitments To Clients & Bankruptcy**

**b. If you have discretionary authority or custody of client funds or securities, or you require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance, disclose any financial condition that is reasonably likely to impair your ability to meet contractual commitments to clients.**

**Note: With respect to Items 18.A and 18.B, if you are registered or are registering with one or more of the state securities authorities, the dollar amount reporting threshold for including the required balance sheet and for making the required financial condition disclosures is more than \$500 in fees per client, six months or more in advance.**

We are not aware of any financial condition of ours that would be reasonably likely to impair our ability to meet our contractual obligations to our clients.

**c. If you have been the subject of a bankruptcy petition at any time during the past ten years, disclose this fact, the date the petition was first brought, and the current status.**

We have not been the subject of a bankruptcy petition at any time during the past ten years, or ever.

**If you have any questions, our Chief Compliance Officer, Glenn E. Atkins, CFA, MBA, is available to address any questions regarding this Part 2A.**

## **Brochure Supplement**

(Part 2B of Form ADV)

### **ITEM 1 – COVER PAGE**

**Kerry L. Bradley, CFA, MBA**  
**Garrison Asset Management, LLC**  
**605 W. Dickson Street, Suite 201**  
**Fayetteville, Arkansas 72701**  
**479-587-1045 Telephone**  
**888-442-7637 Toll Free**  
**479-587-1257 Facsimile**  
**[www.GarrisonFinancial.com](http://www.GarrisonFinancial.com)**  
**[info@GarrisonFinancial.com](mailto:info@GarrisonFinancial.com)**

**This brochure supplement provides information about Kerry L. Bradley, CFA, MBA that supplements the Garrison Asset Management, LLC brochure. You should have received a copy of that brochure. Please contact Glenn E. Atkins, CFA, MBA, Chief Compliance Officer of Garrison Asset Management, LLC if you did not receive Garrison Asset Management, LLC's brochure or if you have any questions about the contents of this supplement.**

**Additional information about Kerry L. Bradley, CFA, MBA is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)**

**If you have any questions about the contents of this brochure, please contact us at: 479-587-1045, or by email at: [info@GarrisonFinancial.com](mailto:info@GarrisonFinancial.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 Garrison Asset Management, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)**

**March 16, 2022**

## **ITEM 2 – Educational Background & Business Experience**

**Disclose the supervised person's name, age (or year of birth), formal education after high school, and business background (including an identification of the specific positions held) for the preceding five years. If the supervised person has no high school education, no formal education after high school, or no business background, disclose this fact. You may list any professional designations held by the supervised person, but if you do so, you must provide a sufficient explanation of the minimum qualifications required for each designation to allow clients to understand the value of the designation.**

Kerry L. Bradley, CFA, MBA – Ms. Bradley was born in 1970 and received a BSBA in Finance (cum laude) and an MBA from the Sam M. Walton College of Business at the University of Arkansas in Fayetteville. She has also held the Chartered Financial Analyst (CFA) designation from the CFA Institute in Charlottesville, VA since 1996.

Her investment experience began in 1992 on the floor of the New York Stock Exchange and includes equity and fixed income portfolio management, investment analysis, and economic research. She is currently the President and equity portfolio manager for Garrison Asset Management, LLC and has been with Garrison or its predecessors since 1998. She has been the equity portfolio manager for Garrison since 1999 and its President since 2010.

Prior to joining Garrison Asset Management, LLC in 1998 she was a portfolio manager/research analyst for a registered investment advisory firm in Fayetteville, AR, providing portfolio management services for individual investors. Her responsibilities included articulating and implementing portfolio and asset allocation strategy and employing fundamental and technical analysis for security selection.

Other experience includes being part of a five-person equity research team with responsibility for eight industries for an investment management firm with \$3.5 billion in assets under management. In 2001 Ms. Bradley was named to the "40 Under 40" list of up-and-coming business leaders by the Northwest Arkansas Business Journal. She is a member of the board of directors of Life Styles, Inc.

### **More Information About The Chartered Financial Analyst's Designation**

A summary of the requirements of the Chartered Financial Analyst's (CFA) designation is shown in the table that follows. More detailed information can be found from:

CFA Institute  
The Global Association Of Investment Professionals  
560 Ray C. Hunt Dr.  
Charlottesville, VA 22903-2981  
800-247-8132 Toll Free  
434-951-5262 Facsimile  
[info@cfainstitute.org](mailto:info@cfainstitute.org)  
[www.cfainstitute.org](http://www.cfainstitute.org)

### **CFA Charter Financial Advisor Statement for SEC Form ADV**

The Chartered Financial Analyst (CFA) charter is a globally respected, graduate-level investment credential established in 1962 and awarded by CFA Institute — the largest global association of investment professionals.

There are currently more than 142,000 CFA charter holders working in 159 countries. To earn the CFA charter, candidates must: 1) pass three sequential, six-hour examinations; 2) have at least four years of qualified professional investment experience; 3) join CFA Institute as members; and 4) commit to abide by, and annually reaffirm, their adherence to the CFA Institute Code of Ethics and Standards of Professional Conduct.

### High Ethical Standards

The CFA Institute Code of Ethics and Standards of Professional Conduct, enforced through an active professional conduct program, require CFA charter holders to:

- Place their clients' interests ahead of their own
- Maintain independence and objectivity
- Act with integrity
- Maintain and improve their professional competence
- Disclose conflicts of interest and legal matters

### Global Recognition

Passing the three CFA exams is a difficult feat that requires extensive study (successful candidates report spending an average of 300 hours of study per level). Earning the CFA charter demonstrates mastery of many of the advanced skills needed for investment analysis and decision making in today's quickly evolving global financial industry. As a result, employers and clients are increasingly seeking CFA charter holders—often making the charter a prerequisite for employment.


Additionally, regulatory bodies in 23 countries recognize the CFA charter as a proxy for meeting certain licensing requirements, and more than 125 colleges and universities around the world have incorporated a majority of the CFA Program curriculum into their own finance courses.

### Comprehensive and Current Knowledge

The CFA Program curriculum provides a comprehensive framework of knowledge for investment decision making and is firmly grounded in the knowledge and skills used every day in the investment profession. The three levels of the CFA Program test a proficiency with a wide range of fundamental and advanced investment topics, including ethical and professional standards, fixed-income and equity analysis, alternative and derivative investments, economics, financial reporting standards, portfolio management, and wealth planning.

The CFA Program curriculum is updated every year by experts from around the world to ensure that candidates learn the most relevant and practical new tools, ideas, and investment and wealth management skills to reflect the dynamic and complex nature of the profession.

To learn more about the CFA charter, visit [www.cfainstitute.org](http://www.cfainstitute.org).

CFA - Chartered Financial Analyst 	
Designation	Chartered Financial Analyst
Designation Status	Currently offered and recognized by the issuing organization
Acronym	CFA
Issuing Organization	<a href="http://www.cfainstitute.org">CFA Institute</a>
Prerequisites/Experience Required	<p>Candidate must meet <u>one</u> of the following requirements:</p> <ul style="list-style-type: none"> <li>• Undergraduate degree and four years of professional experience involving investment decision-making, or</li> <li>• Four years qualified work experience (full time, but not necessarily investment related)</li> </ul>
Educational Requirements	<a href="#">Self-study program</a> (250 hours of study for each of the three levels)

Examination Type	Three course exams
Continuing Education/Experience Requirements	None
Investor Complaint Process	Online at <a href="#">Professional Conduct Program</a>
Public Disciplinary Process	Online at <a href="#">Sanctions and Statistics</a>
Check Professional's Status Online	None
Accredited By	None

System Updated: 2/25/2011

### Related Rules and Generic Titles

[Rule of Conduct 2210](#) prohibits brokerage firms and brokers registered with FINRA from referencing nonexistent or self-conferred degrees or designations or referencing legitimate degrees or designations in a misleading manner.

Also be aware that **Financial Analyst, Financial Adviser (Advisor), Financial Consultant, Financial Planner, Investment Consultant** or **Wealth Manager** are generic terms or job titles, and may be used by investment professionals who may not hold any specific designation.

### Selecting Your Investment Professional

Before you engage an investment professional, make sure you know more about an investment professional than just their name and professional designation. Here are some steps you can take to find an investment professional that can meet your financial needs:

- Think about your financial objectives and know what type of financial services you need. There is a wide variation in the range of products and services that investment professionals offer. Some professionals can provide financial statement preparation and analysis, investment planning, tax planning, estate planning, retirement planning, education planning, and risk management services. Other professionals may only be able to recommend a limited number of investment products. Knowing what you need will not only help you find the professional that's right for you, but prevent you from paying for services you don't want.
- Get names of professionals from friends, neighbors, family or business colleagues. If you receive a name of an investment professional from an individual or group that you don't know, be certain to ask for several references.
- Talk with several professionals. Meet them face-to-face in their offices, if possible. Ask each of them about their:
  - Areas of specialization
  - Professional designations
  - Registrations or licenses
  - Education
  - Work history
  - Investment experience

- Products and services
- Disciplinary history
- Understand how you will pay them for their services. Investment professionals are typically paid in one (or more than one) of the following ways:
  - An hourly fee
  - A flat fee
  - A commission on the investment products they sell you
  - A percentage of the value of the assets they manage for you
  - A combination of fees and commissions.
- Ask whether they receive any additional compensation or financial incentives based on the products they sell. Sometimes investment professionals and their firms receive additional compensation for selling a particular mutual fund or other investment product.
- Make sure that the investment professionals and their firms are properly registered with FINRA, the U.S. Securities and Exchange Commission or a state insurance or securities regulator and learn about their professional background, business practices, and disciplinary history. Most investment professionals need to register as investment advisers, investment adviser representatives or brokers (registered representatives). Others may only be licensed to sell insurance. FINRA's [BrokerCheck](#) can help you find registration and other background information on these professionals.
- Check out any professional designation by contacting the issuing organization and determining whether they are currently authorized to use the designation and whether they've been disciplined. And make sure you understand the requirements for a professional designation. The criteria used by organizations that grant professional designations for investment professionals vary greatly. As noted earlier, some require formal certification procedures including examinations and continuing professional education credits. Others may merely signify that membership dues have been paid.
- If the investment professional will sell you investment products, ask if the firm they work for is a member of the Securities Investor Protection Corporation (SIPC). SIPC provides limited customer protection if a firm becomes insolvent. Ask if the firm has other insurance that provides coverage beyond the SIPC limit. SIPC does not insure against losses attributable to a decline in the market value of your securities. Learn more about [Your Rights Under SIPC Protection](#).

Remember, part of making the right investment decision is finding the investment professional that best meets your financial needs. Do not rush. Do your background investigation. Resist investment professionals that urge you to immediately hire them.

Once you've selected an investment professional, you still need to keep eye on your investments. In our Investor Alert - [10 Tips to Keep Track of Your Investment](#), we offer you advice on how to monitor your investments to minimize the risk of errors or fraud.

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#### Additional Resources

- FINRA, [Selecting Investment Professionals](#)
- U.S. Securities and Exchange Commission, [Investment Advisers: What You Need to Know Before Choosing One](#)

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### Regulation of Professional Designations

View a [map of states](#) that have enacted regulations or legislation, or issued special notices with respect to the use of professional designations by registered representatives and investment advisor representatives.

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### Accreditation Organizations:

- [National Commission for Certifying Agencies \(NCCA\)](#)
  - [American National Standards Institute \(ANSI\)](#)
- 

### Disclaimer

**FINRA does NOT approve or endorse any professional designation.** Nor does a designation's inclusion in this database imply that FINRA considers the designation to be acceptable for use by a registered representative. Furthermore, state securities regulators may prohibit or restrict the use of certain listed designations by registered persons and investment adviser representatives. The list is provided to assist investors in evaluating the professional designations an investment professional may hold. FINRA is not responsible for and cannot verify information from sources other than FINRA, and does not warrant or guarantee the accuracy or completeness of the information.

This list is by no means inclusive of all financial professional designations and specifically does not include employee benefit related designations or designations related to finance degrees from accredited colleges or universities. Representatives of organizations issuing professional designations may submit their securities or investment professional designation for possible inclusion in FINRA's list of designations by completing our [Professional Designation Form](#). FINRA reserves the right to determine which designations are appropriate for listing.

### ITEM 3 – Disciplinary Information

**If there are legal or disciplinary events material to a client's or prospective client's evaluation of the supervised person, disclose all material facts regarding those events.**

None, material or otherwise.

**ITEM 4 – Other Business Activities**

**A. If the supervised person is actively engaged in any investment-related business or occupation, including if the supervised person is registered, or has an application pending to register, as a broker-dealer, registered representative of a broker-dealer, futures commission merchant (“FCM”), commodity pool operator (“CPO”), commodity trading advisor (“CTA”), or an associated person of an FCM, CPO, or CTA, disclose this fact and describe the business relationship, if any, between the advisory business and the other business.**

None.

**1. If a relationship between the advisory business and the supervised person’s other financial industry activities creates a material conflict of interest with clients, describe the nature of the conflict and generally how you address it.**

None.

**2. If the supervised person receives commissions, bonuses or other compensation based on the sale of securities or other investment products, including as a broker-dealer or registered representative, and including distribution or service (“trail”) fees from the sale of mutual funds, disclose this fact. If this compensation is not cash, explain what type of compensation the supervised person receives. Explain that this practice gives the supervised person an incentive to recommend investment products based on the compensation received, rather than on the client’s needs.**

None.

**B. If the supervised person is actively engaged in any business or occupation for compensation not discussed in response to Item 4.A, above, and the other business activity or activities provide a substantial source of the supervised person’s income or involve a substantial amount of the supervised person’s time, disclose this fact and describe the nature of that business. If the other business activities represent less than 10 percent of the supervised person’s time and income, you may presume that they are not substantial.**

None.

**ITEM 5 – Additional Compensation**

**If someone who is not a client provides an economic benefit to the supervised person for providing advisory services, generally describe the arrangement. For purposes of this Item, economic benefits include sales awards and other prizes, but do not include the supervised person’s regular salary. Any bonus that is based, at least in part, on the number or amount of sales, client referrals, or new accounts should be considered an economic benefit, but other regular bonuses should not.**

None.

**ITEM 6 - Supervision**

**Explain how you supervise the supervised person, including how you monitor the advice the supervised person provides to clients. Provide the name, title and telephone number of the person responsible for supervising the supervised person's advisory activities on behalf of your firm.**

As president of the firm, Ms. Bradley is supervised by other Members of our firm. Her day to day activities are reviewed by other investment professionals of the firm to ensure compliance with clients' objectives and constraints and that portfolios are invested according to each client's Investment Policy Statement. Her investment advice to clients is also monitored by all investment professionals and is guided by the client's Investment Policy Statement. Her personal trading and compliance activities are supervised by Mr. Glenn E. Atkins, CFA, MBA, Chief Compliance Officer, 479-587-1045.

## **Brochure Supplement**

(Part 2B of Form ADV)

### ITEM 1 – COVER PAGE

**Glenn E. Atkins, CFA, MBA**  
**Garrison Asset Management, LLC**  
**605 W. Dickson Street, Suite 201**  
**Fayetteville, Arkansas 72701**  
**479-587-1045 Telephone**  
**888-442-7637 Toll Free**  
**479-587-1257 Facsimile**  
**[www.GarrisonFinancial.com](http://www.GarrisonFinancial.com)**  
**[info@GarrisonFinancial.com](mailto:info@GarrisonFinancial.com)**

**This brochure supplement provides information about Glenn E. Atkins, CFA, MBA that supplements the Garrison Asset Management, LLC brochure. You should have received a copy of that brochure. Please contact Glenn E. Atkins, CFA, MBA, Chief Compliance Officer of Garrison Asset Management, LLC if you did not receive Garrison Asset Management, LLC's brochure or if you have any questions about the contents of this supplement.**

**Additional information about Glenn E. Atkins, CFA, MBA is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)**

If you have any questions about the contents of this brochure, please contact us at: 479-587-1045, or by email at: [info@GarrisonFinancial.com](mailto:info@GarrisonFinancial.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 Garrison Asset Management, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

March 16, 2022

**ITEM 2 – Educational Background & Business Experience**

**Disclose the supervised person's name, age (or year of birth), formal education after high school, and business background (including an identification of the specific positions held) for the preceding five years. If the supervised person has no high school education, no formal education after high school, or no business background, disclose this fact. You may list any professional designations held by the supervised person, but if you do so, you must provide a sufficient explanation of the minimum qualifications required for each designation to allow clients to understand the value of the designation.**

Glenn E. Atkins CFA, MBA – Mr. Atkins was born in 1963 and received a BSBA in Finance from the Sam M. Walton College of Business at the University of Arkansas in Fayetteville. He has also held the Chartered Financial Analyst (CFA) designation from the CFA Institute in Charlottesville, VA since 1993. Mr. Atkins also holds an MBA from the Sam M. Walton College Graduate School of Business at the University of Arkansas in Fayetteville.

He is currently an Executive Vice President and the fixed income portfolio manager of Garrison Asset Management, LLC and has been with Garrison or its predecessors since 1994. He has been the fixed income manager since 2007 and prior to that was director of research.

He has managed personal and family equity portfolios since 1981 and has an extensive background in residential real estate leasing and development. His professional career began in 1987 on the floor of the New York Stock Exchange and later that year he began specializing in fixed-income research and management for Monarch Capital Corporation, a Fortune 500 insurance holding company with assets totaling approximately \$1 billion. He joined Llama Asset Management Company, LP (the predecessor to Garrison Asset Management, LLC) in 1994.

Mr. Atkins has authored articles for leading financial publications including The American Association of Individual Investors Journal and was a contributing author for a book on bankruptcy investing, which was recognized by Forbes magazine as "one of the best from the class of '92." He has also appeared as a guest lecturer at the Harvard Business School and is member of the Springdale, AR Club of Rotary International. In 1998 Mr. Atkins was named to the "40 Under 40" list of up-and-coming business leaders by the Northwest Arkansas Business Journal.

Please see More Information About The Chartered Financial Analyst's Designation under Kerry Bradley, above.

**ITEM 3 – Disciplinary Information**

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None, material or otherwise.

**ITEM 4 – Other Business Activities**

**A. If the supervised person is actively engaged in any investment-related business or occupation, including if the supervised person is registered, or has an application pending to register, as a broker-dealer, registered representative of a broker-dealer, futures commission merchant ("FCM"), commodity pool operator ("CPO"), commodity trading advisor ("CTA"), or an associated person of an FCM, CPO, or CTA, disclose this fact and describe the business relationship, if any, between the advisory business and the other business.**

None.

**1. If a relationship between the advisory business and the supervised person's other financial industry activities creates a material conflict of interest with clients, describe the nature of the conflict and generally how you address it.**

None.

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None.

**B. If the supervised person is actively engaged in any business or occupation for compensation not discussed in response to Item 4.A, above, and the other business activity or activities provide a substantial source of the supervised person's income or involve a substantial amount of the supervised person's time, disclose this fact and describe the nature of that business. If the other business activities represent less than 10 percent of the supervised person's time and income, you may presume that they are not substantial.**

None.

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None.

#### **ITEM 6 - Supervision**

**Explain how you supervise the supervised person, including how you monitor the advice the supervised person provides to clients. Provide the name, title and telephone number of the person responsible for supervising the supervised person's advisory activities on behalf of your firm.**

Mr. Atkins is supervised by Ms. Kerry Bradley, president of Garrison Asset Management, LLC. His day to day activities are reviewed by other investment professionals of the firm to ensure compliance with clients' objectives and constraints and that portfolios are invested according to each client's Investment Policy Statement. His investment advice to clients is also monitored by all investment professionals and is guided by the client's Investment Policy Statement. His personal trading and compliance activities are also supervised by Ms. Bradley, 479-587-1045.

## **Brochure Supplement**

(Part 2B of Form ADV)

### ITEM 1 – COVER PAGE

**James Baxter Bell, CFA**  
**Garrison Asset Management, LLC**  
**605 W. Dickson Street, Suite 201**  
**Fayetteville, Arkansas 72701**  
**479-587-1045 Telephone**  
**888-442-7637 Toll Free**  
**479-587-1257 Facsimile**  
**[www.GarrisonFinancial.com](http://www.GarrisonFinancial.com)**  
**[info@GarrisonFinancial.com](mailto:info@GarrisonFinancial.com)**

**This brochure supplement provides information about James Baxter Bell, CFA that supplements the Garrison Asset Management, LLC brochure. You should have received a copy of that brochure. Please contact Glenn E. Atkins, CFA, MBA, Chief Compliance Officer of Garrison Asset Management, LLC if you did not receive Garrison Asset Management, LLC's brochure or if you have any questions about the contents of this supplement.**

**Additional information about James Baxter Bell, CFA is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)**

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James Baxter Bell, CFA – Mr. Bell was born in 1974 and received a BSM in Finance from Tulane University in New Orleans, Louisiana. He has also held the Chartered Financial Analyst (CFA) designation from the CFA Institute in Charlottesville, VA since 2001.

Mr. Bell is currently an equity portfolio manager and Vice President of Garrison Asset Management, LLC and began that role in 2002. His investment experience began in 1996 and includes company analysis, portfolio management, economic research, and investment reporting. Before joining Garrison Asset Management, Mr. Bell worked as an analyst in the acquisitions and divestitures department of an oil and gas exploration and production company in Tulsa, Oklahoma. Prior to that, he had four years of experience with a registered investment advisory firm in Fayetteville, Arkansas.

He was named to the “40 under 40” list of up-and-coming business leaders by the Northwest Arkansas Business Journal in 2008.

Please see More Information About The Chartered Financial Analyst's Designation under Kerry Bradley, above.

**ITEM 3 – Disciplinary Information**

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None, material or otherwise.

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##### END OF ADV PART II #####