



## **Item 1 Cover Page**

### **Part 2A of Form ADV Firm Brochure**

#### **Gratus Capital, LLC**

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Atlanta, GA 30305

Phone: (404) 961-6000

<http://www.gratuscapital.com>

Date: September 26, 2022

This brochure provides information about the qualifications and business practices of Gratus Capital, LLC. If there are any questions about the contents of this brochure, please contact us at (404) 961-6000 or via email at [info@gratuscapital.com](mailto:info@gratuscapital.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 Gratus Capital, LLC, is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Please note that registration as an investment advisory firm does not imply a certain level of skill or training.

## Item 2      Material Changes

This section discusses changes to our ADV Part 2A brochure (the “Brochure”) since the time of our most recent prior annual updating amendment, in March 2021:

- We offer a Yield Enhancement Strategy where we seek to generate income by writing out-of-the-money puts on single stock. Clients who invest in the Yield Enhancement Strategy will pay us a strategy fee that is in addition to our investment advisory fee. Additional information regarding the Yield Enhancement Strategy and its fees, conflicts of interest and risks are contained in Items 4, 5 and 8 of this Brochure.
- We also offer Gratus Hedge Strategies where we use an options collar strategy to hedge the risk of concentrated stock positions in client portfolios. For additional information, please refer to Item 5 and Item 8 of this Brochure.
- We have added a description of the Gratus Service Pledge, whereby we will refund up to twelve months of advisory fees paid by a client during the first year of the Investment Advisory relationship if the client is dissatisfied with the service they receive from a Gratus wealth advisor. For additional information, please refer to Item 5 of this Brochure.
- As of June 21<sup>st</sup> 2021, we are no longer the adviser to the Marathon Value Portfolio. Items 4, 5, 7, 8, 11, 12 and 17 have been revised in light of this change.
- As of October 1<sup>st</sup> 2021, we moved our office location to 3535 Piedmont Road NE, Building 14-500, Atlanta, GA 30305
- As of December 2021, are managing Trailhead Growth, LP, a private fund that intends to invest in managers that invest in digital assets and other strategies such as long/short hedge funds, market neutral hedge funds, arbitrage, tail risk, development real estate and secondary funds which invest in seasoned limited partnership interests at a discount from investors seeking liquidity and other investments we expect to be uncorrelated to the economy or the equity markets. Items 5, 6 and 8 have been revised in light of this change.
- As of December 2021, we have enhanced our disclosures under Item 8 regarding risks associated with options and margin borrowing.
- We help our clients obtain certain insurance solutions from unaffiliated, third-party insurance brokers by introducing clients to our affiliate, Focus Risk Solutions, LLC (“FRS”). FRS does not receive any compensation from such third-party insurance brokers from serving our clients. Further information on this service is available in Items 4, 5 and 10 of this Brochure.
- We offer clients the option of obtaining certain financial solutions from unaffiliated third-party financial institutions with the assistance of our affiliate, Focus Treasury & Credit Solutions, LLC (“FTCS”). FTCS does not receive any compensation from such third-party institutions for serving our clients. Further information is available in Items 4, 5, and 10 of this Brochure.
- We no longer participate in the SmartAsset online matching program which seeks to match prospective advisory clients who have expressed an interest in finding an investment adviser with investment advisory firms. Item 10 and 14B of this Brochure have been revised to reflect this change.

- Gratus was notified by TD Ameritrade, Inc. that they will conclude their AdvisorDirect program as of April 1, 2022. Item 14 of this brochure has been updated to reflect this change.
- Gratus changed its Chief Compliance Officer on September 26<sup>th</sup>, 2022. Adrian Chastain replaced W. Travis McKinney as Chief Compliance Officer.

Our Brochure is available on request by contacting Adrian Chastain, Chief Compliance Officer, at (404) 961-6000 or [achastain@gratuscapital.com](mailto:achastain@gratuscapital.com). It is also available online at [www.gratuscapital.com](http://www.gratuscapital.com).

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## **Item 4      Advisory Business**

### **About the Firm**

Gratus Capital, LLC (CRD # 173627), an investment advisory firm located in Atlanta, Georgia, succeeded to the advisory business of its predecessor, Gratus Capital Management, LLC (SEC # 801-65765), as of October 1, 2014, and does business under the name Gratus Capital, LLC ("Gratus," "we" or the "Adviser"). The predecessor's advisory business was founded in 2006, and Gratus is continuing the advisory business of the prior adviser in virtually all respects.

Gratus is part of the Focus Financial Partners, LLC ("Focus LLC") partnership. Specifically, Gratus is a wholly owned subsidiary of Focus Operating, LLC ("Focus Operating"), which is a wholly owned subsidiary of Focus LLC. Focus Financial Partners Inc. ("Focus Inc.") is the sole managing member of Focus LLC and is a public company traded on the NASDAQ Global Select Market. Focus Inc. owns approximately two-thirds of the economic interests in Focus LLC.

Focus Inc. has no single 25% or greater shareholder. Focus Inc. is the managing member of Focus LLC and has 100% of its governance rights. Accordingly, all governance is through the voting rights and Board at Focus Inc.

Focus LLC also owns other registered investment advisers, broker-dealers, pension consultants, insurance firms, business managers and other firms (the "Focus Partners"), most of which provide wealth management, benefit consulting and investment consulting services to individuals, families, employers, and institutions. Some Focus Partners also manage or advise limited partnerships, private funds, or investment companies as disclosed on their respective Form ADVs.

Pursuant to a management agreement between Gratus, Focus LLC, and GC Partners LLC (the "Management Company"), the Management Company has agreed to provide persons to serve as officers of Gratus who, in such capacity, are responsible for the management, supervision and oversight of Gratus. The primary members of the Management Company include Hank McLarty, Founder and CEO, Neil Campbell, President and Todd Jones, Chief Investment Officer..

We are a member of the National Association of Personal Financial Advisors, a nationally recognized fee-only adviser organization. Gratus offers investment management services and financial planning. These services are described further in this section.

### ***Investment Management Services***

Gratus provides investment management services on a discretionary and non-discretionary basis.

When offering these services, Gratus reviews the client's current holdings and gathers information about the client's financial situation including time horizon, tax status, net worth, cash flow and budget information, liquid assets and risk tolerance. For the targeted allocation portfolio, Gratus will develop a recommended target asset allocation based on these factors and fulfill the target allocation using a custom combination of exchange traded funds, equities, mutual funds, and bonds. Once the client is fully invested in the target investment allocation, Gratus will review the portfolio on a regular basis with the client and rebalance back to the target allocation as needed.

If the client desires to retain control over investment decision making, Gratus will provide investment advice on a non-discretionary basis and the client will decide whether or not to implement that advice.

Gratus provides portfolio management to some accounts through tactical asset allocation, which is based on the relative valuation of asset classes and sub-classes, by using active money managers and investing primarily, but not exclusively, in mutual funds.

Gratus provides portfolio management to some accounts through the use of external managers, who serve as third-party asset managers.

In 2020, we have begun to offer discretionary portfolio management services to clients who have a smaller amount than our typical account size available to invest through Schwab Intelligent Portfolios. Through this program, client assets are automatically invested and rebalanced in accordance with portfolios we have designed and have determined are appropriate for the client in light of the client's investment objectives, financial circumstances and risk tolerance. Schwab Intelligent Portfolios will offer investors access to institutional mutual fund pricing at drastically lower levels, no mutual fund transaction fees and enhanced account management via tax loss harvesting and better capital flow management.

In 2020, we have begun to offer investment consulting services to another firm(s). This service offering includes offering portfolio management, portfolio construction recommendations, and investment research, developing an investment process, periodically meeting with the investment committee and providing market update publications. Gratus receives a fee for providing this service to another firm(s).

### *Investment Types*

In addition to equities and bonds, we invest in the following securities:

#### *Options*

We use option transactions in conjunction with our day-to-day management of clients' equity investments. We sell covered calls to generate premium income in exchange for the obligation to sell to a third party the stock we own at a certain price by a certain date. When option prices are volatile, we have also sold covered calls to generate income for clients and to manage our sector exposures.

We offer a Yield Enhancement Strategy where we write out-of-the-money puts on single stocks to collect income from the option premiums in exchange for our obligation to buy the stock from a third party if the stock reaches the strike price by a certain date.

We also offer Gratus Hedge Strategies where we use an options collar strategy to hedge the risk of concentrated stock positions in client portfolios.

#### *Mutual Funds and Exchange-Traded Funds*

- **Mutual Funds and Exchange-Traded Funds**

Occasionally, we recommend investments in no-load, open-end mutual funds or exchange traded funds (ETFs) instead of individual equity or fixed income securities. We consider this investment appropriate in certain instances for diversification without investing in a portfolio of individual securities.

#### *Private Funds*

Gratus is the Investment Manager of private investment funds in which clients and others are solicited to invest, but are limited to accredited investors, and for some funds, we require the investors to also be qualified clients or qualified purchasers. The private funds are suitable only for sophisticated investors who do not require immediate liquidity for their investments, for whom an investment in a private fund does not constitute a complete investment program, and who fully understand and are

willing to assume the risks involved in the private fund's investment program. Even where the investments of a private fund are successful, some do not produce a realized return for a period of years. The private funds' offering documents contain additional information that must be reviewed by any potential investor.

As of December 31, 2021, the total amount of client investments that Gratus managed was \$3,499,400,712 of which \$2,443,770,850 was on a discretionary basis and \$1,055,629,862 was on a non-discretionary basis.

Gratus Capital is a fiduciary under the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), with respect to investment management services and investment advice provided to ERISA plan clients, including ERISA plan participants. Gratus Capital is also a fiduciary under the Internal Revenue Code (the "IRC") with respect to investment management services and investment advice provided to ERISA plans, ERISA plan participants, IRAs and IRA owners (collectively, "Retirement Account Clients"). As such, Gratus Capital is subject to specific duties and obligations under ERISA and the IRC that include, among other things, prohibited transaction rules which are intended to prohibit fiduciaries from acting on conflicts of interest. When a fiduciary gives advice in which it has a conflict of interest, the fiduciary must either avoid or eliminate the conflict or rely upon a prohibited transaction exemption (a "PTE").

As a fiduciary, we have duties of care and of loyalty to you and are subject to obligations imposed on us by the federal and state securities laws. As a result, you have certain rights that you cannot waive or limit by contract. Nothing in our agreement with you should be interpreted as a limitation of our obligations under the federal and state securities laws or as a waiver of any unwaivable rights you possess.

### ***Financial Planning and Wealth Advisory Services***

Gratus offers financial planning services to clients. These services include assessing a client's present financial situation and assisting with defining personal financial planning goals and objectives. Focus areas can include, but are not limited to, cash flow planning, tax planning, retirement planning, estate planning, investment planning and education planning.

Clients have the option to execute or disregard any or all information, recommendation or advice given. Gratus will assist the client with implementation of agreed-upon recommendations, but the client is fully responsible for all decisions relating to implementation of the advice given.

Gratus does not prepare any accounting or legal documents for implementation of the financial plan. Any fees incurred for such professional services are the client's responsibility.

We offer clients the option of obtaining certain financial solutions from unaffiliated third-party financial institutions with the assistance of our affiliate, Focus Treasury & Credit Solutions, LLC ("FTCS"), a wholly owned subsidiary of our parent company, Focus Financial Partners, LLC. Please see Items 5 and 10 for a fuller discussion of these services and other important information.

We help our clients obtain certain insurance solutions from unaffiliated, third-party insurance brokers by introducing clients to our affiliate, Focus Risk Solutions, LLC ("FRS"), a wholly owned subsidiary of our parent company, Focus Financial Partners, LLC. Please see Items 5 and 10 for a fuller discussion of this service and other important information.

## Item 5 Fees and Expenses

### *Fees for Investment Management Services*

Gratus charges an annual management fee for its investment management services, which is specified in our agreement with the client and typically ranges from 1.00% to 1.50%, calculated as a percentage of the value of the client's managed portfolio account. Fees for clients who are invested through Schwab Intelligent Portfolios are up to 1.5%. Clients who are invested in our Yield Enhancement Strategy will also pay a strategy fee of .60% for assets invested in the strategy. Fees are negotiable. On a quarterly basis, the fee for the quarter is calculated based on the value of the managed portfolio account as of the last day of the previous quarter. Some fees are reduced or waived for family or friends of the firm. A client's fees are debited directly from one of or some of the client's accounts. Some clients pay management fees by check. Cash and accrued interest are included in the account value unless Gratus determines otherwise in its sole discretion or by client agreement. Margin balances created through client borrowing are excluded from the account value unless Gratus determines otherwise in its sole discretion or by client agreement.

The Adviser previously offered clients differing fee schedules and payment terms, including those former SAS and JPH clients, and some clients by agreement still have their assets managed under those fee schedules and payment terms. Some clients who have multiple accounts incur a lower percentage fee in some accounts than in others, by agreement. Some clients who have multiple accounts incur a percentage fee under a tiered fee structure where the overall rate decreases as the level of assets across accounts increases, by agreement.

In the event the client's managed portfolio account is opened after the beginning of a calendar quarter, Gratus' policy is to prorate the fee based upon the days remaining in the quarter, beginning no earlier than the execution date of the Investment Management Agreement. If the Investment Management Agreement is terminated during a quarter, prepaid management fees are refunded according to the terms of the Investment Management Agreement.

This fee is exclusive of:

- (a) all commissions and other portfolio transaction charges and any charge relating to the custody of securities in the portfolio (see Item 12 for additional information regarding Brokerage Practices);
- (b) any advisory and other management fees and expenses described in the mutual fund prospectuses for mutual fund securities in the portfolio that are paid by such mutual funds but are ultimately borne by the investor; and
- (c) offering discounts, commissions and related fees in connection with underwritten public offerings of securities.
- (d) the separate fee charged for participation in the the firm's options based Yield Enhancement Strategy.

Gratus does not share in any third-party transaction fees, charges or commissions.

Clients can contribute additional assets to managed portfolio accounts at any time. Fees on additional assets received into Managed Portfolio accounts are prorated based upon the number of days remaining



in the current quarter. Fees on withdrawn assets are refunded on a prorated basis based on the number of days remaining in the quarter following the withdrawal of the assets.

As set forth in certain client investment management agreements, Gratus can amend a client fee schedule by providing the client 30 days written notice in advance of such change becoming effective.

Where Gratus provides portfolio management to accounts through the use of external managers who serve as third-party asset managers, some accounts incur an additional management fee payable to the external manager that is separate from the Gratus fee. In other instances where Gratus provides portfolio management to accounts through the use of external managers who serve as third-party asset managers, Gratus pays a portion of its fee to the external manager and no additional management fee is payable to the external manager.

Gratus Service Pledge:

Gratus will refund up to twelve months of advisory fees paid by a client during the first year of the Investment Advisory relationship if the client is dissatisfied with the service they receive from a Gratus wealth advisor. The Gratus Service Pledge states:

1. Are we exceeding your expectations?
2. Are we providing consistent communication?
3. Are we progressing with your plan?

The Gratus Service Pledge is service related only. The Gratus Service Pledge is not related to a client's individual investment performance as it may vary depending on the client's investment allocation, overall market performance and other risk factors. Past investment performance may not be indicative of future results. All investors should consider their individual investment objectives, risk tolerance and investing time horizon prior to making an investment.

### ***Conflicts – Private Fund***

Gratus receives fees for funds that we sponsor and manage, in the form of management fees paid by the funds, in the form of a share of the income from certain of the funds and in the form of a performance allocation from another fund. These fees are higher than the fees clients pay us to advise them on other assets. This is a potential conflict of interest, in that the potential to receive higher fees gives us an incentive to recommend that clients invest in our proprietary funds rather than in other assets that pay us lower fees. We have an additional conflict of interest when we recommend that our clients invest in the private funds we sponsor rather than recommending direct investment in the underlying funds held by those funds, as we typically charge lower fees for due diligence and monitoring of these direct investments than the fees we receive from our proprietary funds. We have addressed these potential conflicts of interest through disclosure, and by adopting investment guidelines regarding the allocation of client assets to private investment funds.

Some Gratus employees have investments in their own names in the private funds. This could incentivize Gratus to recommend that clients also invest in the private funds or to spend a disproportionate amount of their time on the private funds.

As a result of the foregoing, Gratus and its employees could have conflicts of interest in allocating their time and investment opportunities between the private funds and other accounts. We could also have conflicts of interest in allocating investment opportunities among private funds. In the event of any

potential conflicts of interest, including with respect to investment opportunities, Gratus and its members will act in a manner that we in good faith believe to be fair and equitable and consistent with our duties to our clients and with our Code of Ethics.

Fees for our private funds and mutual fund are exclusive of brokerage commissions, custodial fees, transaction fees and other related costs and expenses. The private funds and mutual fund are also subject to administrative, tax preparation, consulting, legal, audit, and other types of professional expenses. Please refer to the applicable offering documents or offering materials for more information.

Some clients also pay IRA (or benefit plan) trustee fees and custodial fees if the client uses these services. Some clients pay brokerage costs, and the amount will depend on the brokerage firm executing the client transactions.

Where a client who has multiple accounts incurs by agreement a lower percentage fee in some accounts than in others, Gratus and its employees can have conflicts of interest in allocating assets to the client's account with a higher fee. Gratus addresses and mitigates this conflict by the differing tax status between accounts, where assets cannot be transferred between accounts with after-tax status and accounts with pre-tax status (e.g., retirement accounts).

### **Conflicts – Yield Enhancement Strategy**

Gratus receives strategy fees for client assets allocated to the Yield Enhancement Strategy that are over and above the management fees clients pay. The additional compensation our firm receives from the Yield Enhancement Strategy fee gives us an incentive to recommend that clients allocate assets to the Yield Enhancement Strategy rather than other investments that pay us lower fees. We address and mitigate this conflict through disclosure of the conflict and incentive, and by adopting investment guidelines regarding the allocation of client assets to the Yield Enhancement Strategy.

### ***Fees for Financial Planning & Advisory Services***

The fees for Financial Planning & Advisory Services are based on the complexity of a client's financial situation and the time expected to complete the agreed upon project. Factors considered when determining the fee and the complexity of the engagement include, but are not limited to, the composition of the client's assets, liabilities, net worth and any special circumstances related to life changes, health or special estate needs. Fees are negotiable and typically range from \$2,500 to \$10,000 for twelve months of service and are payable in advance in either quarterly, semi-annual, or annual installments.

#### **Focus Client Solutions**

We offer clients the option of obtaining certain financial solutions from unaffiliated third-party financial institutions with the assistance of our affiliate, Focus Treasury & Credit Solutions, LLC ("FTCS"). FTCS does not receive any compensation from such third-party institutions for serving our clients. Further information on this conflict of interest is available in Item 10 of this Brochure.

#### **Focus Risk Solutions**

We help our clients obtain certain insurance solutions from unaffiliated, third-party insurance brokers by introducing clients to our affiliate, Focus Risk Solutions, LLC ("FRS"), a wholly owned subsidiary of our parent company, Focus Financial Partners, LLC. FRS has arrangements with certain third-party insurance brokers (the "Brokers") under which the Brokers assist our clients with regulated insurance sales activity.

FRS does not receive any compensation from such third-party insurance brokers from serving our clients. Further information on this service is available in Item 10 of this Brochure.

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

Gratus does accept incentive compensation for some of the private funds it sponsors, but does not accept performance-based fees for managing similar assets alongside client accounts that do not pay performance-based fees.

The potential to earn performance-based compensation creates an incentive for us to make investments that are more risky than if we did not have the potential to earn performance-based compensation. In addition, the potential to earn performance-based compensation creates an incentive for us to recommend that our clients select these investments over those where we do not have the potential to earn performance-based compensation. Please refer to Item 5 for additional information regarding conflicts of interest related to compensation for client investments in certain private funds.

## **Item 7 Types of Clients**

Gratus works with individuals, families, high net worth individuals, retirement accounts, ERISA plans, charities, limited partnerships, and other businesses. We are also the investment manager of five private funds.

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

Gratus usually invests in various individual equity (stocks), debt (bonds) and fixed income securities, open-end mutual funds, exchange traded funds, preferred stock, and options on a discretionary basis, consistent with a client's designated objectives. Gratus constructs globally-diversified, multiple-asset-class targeted allocation portfolios. Portfolio construction incorporates careful asset allocation, which involves the strategic placement of the client's investments in taxable, tax-deferred, or tax-free accounts to achieve the highest level of tax efficiency.

We employ both fundamental and technical analysis in our securities selection process and manage client assets in accordance with a variety of investment strategies we have designed to meet client needs.

Different types of investments involve varying degrees of risk. It should not be assumed that future performance of any specific investment or investment strategy will be profitable or equal to any specific performance level(s).

Gratus also implements and/or recommends options transactions for some clients who have large concentrated stock positions. Generally, the purchase or sale, or the recommendation to purchase or sell, an option contract is with the intent of producing income or offsetting/"hedging" a potential market risk in the client's portfolio.

The use of options transactions as an investment strategy can involve a high level of inherent risk. Option transactions establish a contract between two parties concerning the buying or selling of an asset at a predetermined price during a specific period of time. During the term of the option contract, the buyer of the option gains the right to demand fulfillment by the seller. Fulfillment can take the form of either selling or purchasing a security, depending upon the nature of the option contract.

As discussed above, our Yield Enhancement Strategy involves selling out-of-the-money put options in exchange for options premiums. The client will lose money if the underlying stock trades into the money

and the put buyer exercises the right to sell the stock to the client at the strike price. In addition, the strategy could generate less income than the client expects if options premiums decline.

Accounts invested in the Yield Enhancement Strategy incur additional risks if they do not maintain sufficient cash. If stock is put to the account owner, the account will need to have sufficient cash to purchase the stock.

Our Yield Enhancement Strategy uses margin borrowing. Margin borrowing is a form of debt that requires the owner to make interest payments. Margin accounts are required to maintain a minimum amount of equity in their accounts. If the account owner gets a margin call, the account will need to have sufficient cash to meet it.

An account that writes options and/or uses margin borrowing could be forced to liquidate or sell securities to raise cash. Forced sales of securities in large amounts have the potential to cause a downward spiral in the value of an account.

As discussed above, our Gratus Hedging Strategies involves establishing an options collar to mitigate the risk of a concentrated stock position. Establishing an options collar entails taking on two primary risks: the upside/downside risk of the underlying security and the risk of assignment. The upside/downside risk of the underlying security can be driven by overall market factors, sector factors, or individual, stock-specific factors. If the price of the underlying security trades above the higher strike price (the call) the call will be exercised, and the owner of the security (client) will be required to liquidate their shares. The owner of the security will experience a loss in the form of not participating in the upside of the stock above the strike price. If the price of the underlying security trades below the lower strike price (the put) the owner of the security will have the right to exercise the put and sell the underlying security.

Pertaining to assignment risk: if the call owner exercises his or her right to sell the underlying stock before or at the expiration, the call writer will lose money from being required to sell the underlying above the strike price. The risk of assignment increases if the underlying security is above (call) the strike price closer to the expiration of the options contract. Options market depth/liquidity can be limited and pricing can be inefficient. Listed options may not be available for all listed stocks over a desired time horizon based on exchange rules. When re-indexing or reestablishing a collar position, we will allow the existing collar expire at the expiration date and attempt to initiate a new collar position on the next trading day. Between the expiration of the collar position and the next trading day, the underlying stock will be un-hedged and subject to volatility.

For the conservative disciplined value portfolios formerly managed by SAS, Gratus develops a thorough understanding of the strengths and weaknesses of the companies in which client assets are invested. The Adviser looks to invest long-term in companies that have strong businesses and managements, and unrecognized strengths. The adviser's research consists of an intensive review of written materials, corporate and analytical conferences and electronic media, and frequent testing of investment hypotheses both by in-house resources and with other industry knowledgeable professionals.

Gratus stresses avoidance of loss not only as a means of reducing risk but also as a means of increasing returns. Diversification is also utilized as a means of controlling risk. In addition, fixed income investments, both long and short-term, provide necessary current return and judicious alternatives to equities in ongoing market conditions.

## Risks of Investing in Securities

Investing in securities involves risk of loss that clients should be prepared to bear. All investment programs have certain risks that are borne by the investor. Investment risks that investors face include the following:

**Interest Rate Risk:** Fluctuations in interest rates can cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.

**Market Risk:** The price of a security, bond, or mutual fund can drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions can trigger market events.

**Inflation Risk:** When any type of inflation is present, a dollar's value today can vary compared to the value of a dollar next year, as purchasing power usually erodes at the same rate as inflation.

**Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.

**Reinvestment Risk:** This is the risk that future proceeds from investments are reinvested at a potentially lower rate of return (i.e., interest rate). This risk primarily relates to fixed income securities.

**Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, which is a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.

**Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.

**Cash Withdrawals Risk:** The need to sell the portfolio's holdings in order to meet a client's cash withdrawal requests could cause a loss when selling securities if the requests are unusually large or frequent or occur in times of overall market turmoil or declining prices, or when the securities the portfolio manager wishes to sell or is required to sell are illiquid.

**Financial Risk:** Excessive borrowing to finance a business's operations increases the risk to profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations can result in bankruptcy and/or a declining market value.

**Management Risk:** The risk is whether the investment strategy process and risk analyses applied by Gratus will produce the desired results and that legislative or regulatory developments can affect the investment techniques available to Gratus and the individual portfolio manager in connection with managing the portfolio. There is no guarantee that the investment objective of the portfolio will be achieved.

## Cryptocurrency Risk:

Cryptocurrency is a digital representation of value that functions as a medium of exchange, a unit of account, or a store of value, but it does not have legal tender status. Cryptocurrencies are sometimes exchanged for U.S. dollars or other world currencies, but they are not generally backed or supported by any government or central bank. They are more volatile than traditional currencies. Their value is speculative, given that they are not currently, widely accepted as a medium of exchange, is derived by market forces of supply and demand, and may be impacted by the continued willingness of market participants to exchange fiat currency for cryptocurrency. Cryptocurrencies are not covered by either FDIC or SIPC insurance. Bitcoin, Ethereum and other cryptocurrencies are very speculative investments and involve a high degree of risk. An investment in cryptocurrency is not suitable for all investors, and may not generally be appropriate, particularly with funds drawn from retirement savings, student loans, mortgages, emergency funds, or funds set aside for other purposes. Investors must have the financial ability, sophistication/experience and willingness to bear the risks of an investment, and a potential total loss of their investment. An investment in cryptocurrency should be made with capital allocated to speculative purposes. Fees and expenses associated with a cryptocurrency investment may be substantial.

Cryptocurrency exchanges and other trading venues on which cryptocurrencies trade are relatively new and, in most cases, largely unregulated and may therefore be more exposed to fraud and failure than established, regulated exchanges for securities, derivatives and other currencies. Investments that are related to cryptocurrencies could be subject to volatility experienced by the cryptocurrency exchanges and other cryptocurrency trading venues. Cryptocurrency exchanges may stop operating or permanently shut down due to fraud, technical glitches, hackers or malware, which may also affect the price of bitcoin and other cryptocurrencies and indirect investments in cryptocurrencies.

In addition to the risks above, clients should consider the following risks:

- History of volatility. The exchange rate of cryptocurrency historically has been very volatile and the exchange rate of a cryptocurrency could drastically decline. For example, the exchange rate of Bitcoin has dropped more than 50% in a single day. Cryptocurrency-related investments may be affected by such volatility.
- Government regulation. Cryptocurrencies largely lack regulatory protections. Federal, state or foreign governments may restrict the use and exchange of cryptocurrency. Legislative and regulatory changes or actions at the federal, state or international level may adversely affect the use, transfer, exchange, and value of cryptocurrency.
- Security concerns. Cryptocurrency exchanges may stop operating or permanently shut down due to fraud, technical glitches, hackers or malware. Cryptocurrency also may be stolen by hackers.
- New and developing. As a relatively recent invention, cryptocurrency and related investments do not have an established track record of operating history, performance, credibility and/or trust. Bitcoin and other cryptocurrencies are evolving. Cryptocurrencies use blockchain technology, which lacks standardization.

## Private Funds

As discussed, Gratus is the Investment Manager of private investment funds in which clients and others are solicited to invest, but are limited to accredited investors, and for some funds, we require the investors to also be qualified clients or qualified purchasers. The private funds are suitable only for

sophisticated investors who do not require immediate liquidity for their investments, for whom an investment in a private fund does not constitute a complete investment program, and who fully understand and are willing to assume the risks involved in the private fund's investment program. Even where the investments of a private fund are successful, some do not produce a realized return for a period of years. The private funds' offering documents contain a detailed description of risk factors that must be reviewed by any potential investor in the fund.

### **Cybersecurity Risk:**

The computer systems, networks and devices used by Gratus Capital and service providers to us and our clients to carry out routine business operations employ a variety of protections designed to prevent damage or interruption from computer viruses, network failures, computer and telecommunication failures, infiltration by unauthorized persons, and security breaches. Despite the various protections utilized, these systems, networks, and devices potentially can be breached. A client could be negatively impacted as a result of a cybersecurity breach.

Cybersecurity breaches can include unauthorized access to systems, networks, or devices; infection from computer viruses or other malicious software code; and attacks that shut down, disable, slow, or otherwise disrupt operations, business processes, or website access or functionality. Cybersecurity breaches can cause disruptions and impact business operations, potentially resulting in financial losses to a client; impediments to trading; the inability by us and other service providers to transact business; violations of applicable privacy and other laws; regulatory fines, penalties, reputational damage, reimbursement or other compensation costs, or additional compliance costs; as well as the inadvertent release of confidential information.

Similar adverse consequences can result from cybersecurity breaches affecting issuers of securities in which a client invests; governmental and other regulatory authorities; exchange and other financial market operators, banks, brokers, dealers, and other financial institutions; and other parties. In addition, substantial costs can be incurred by these entities in order to prevent or mitigate the risk of cybersecurity breaches in the future.

### **COVID-19 Risk:**

The transmission of COVID and efforts to contain its spread have resulted in border closings and other travel restrictions and disruptions, market volatility, disruptions to business operations, supply chains and customer activity and quarantines. With widespread availability of vaccines, the U.S. Centers for Disease Control and Prevention has revised its guidance, travel restrictions have started to lift, and businesses have reopened. However, the COVID pandemic continues to evolve and the extent to which our investment strategies will be impacted will depend on various factors beyond our control, including the extent and duration of the impact on economies around the world and on the global securities and commodities markets. Volatility in the U.S. and global financial markets caused by the COVID pandemic may continue and could impact our firm's investment strategies.

Although currently there has been no significant impact, the COVID outbreak, and future pandemics, could negatively affect vendors on which our firm and clients rely and could disrupt the ability of such vendors to perform essential tasks.

## **Item 9      Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to the evaluation of Gratus or the integrity of management. Gratus has no information applicable to this item.

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

### ***Employee Activities***

One of our firm's advisers, Scott Rutherford, is a CPA who offers tax review and return preparation through Rutherford Consulting Group, LLC. We have a potential conflict of interest in referring clients who need accounting advice to a CPA firm owned by one of our firm's advisers. We address this potential conflict through clear disclosure of the potential conflict to our clients. We will only refer clients when we believe that the services of Rutherford Consulting Group would be beneficial to them, and clients decide whether to use the services.

### ***Corporate Affiliations***

As noted above in response to Item 4, Gratus is part of the Focus Financial Partners, LLC ("Focus LLC") partnership.,

### ***Focus Treasury & Client Solutions***

We offer clients the option of obtaining certain financial solutions from unaffiliated third-party financial institutions with the assistance of our affiliate, Focus Treasury & Credit Solutions, LLC ("FTCS"), a wholly owned subsidiary of our parent company, Focus Financial Partners, LLC. These third-party financial institutions are banks and non-banks (the "Network Institutions") that offer credit and cash management solutions to our clients. Certain other unaffiliated third parties provide administrative and settlement services to facilitate FTCS's cash management solutions. FTCS acts as an intermediary to facilitate our clients' access to these credit and cash management solutions.

Neither we nor FTCS receives any compensation from the Network Institutions or any other third parties for providing credit or cash management solutions to our clients. For services provided by FTCS to clients of other Focus firms, FTCS receives a portion of the revenue earned by the Network Institutions, and such compensation to FTCS is also revenue for our common parent company, Focus Financial Partners, LLC. However, this compensation to FTCS does not come from credit or cash management solutions provided to any of our clients. The volume generated by our clients' transactions does benefit FTCS and Focus in attracting, retaining, and negotiating with Network Institutions. We mitigate this conflict by: (1) fully and fairly disclosing the material facts concerning the above arrangements to our clients, including in this Brochure; and (2) offering FTCS solutions to clients on a strictly nondiscretionary and fully disclosed basis, and not as part of any discretionary investment services. Additionally, we note that clients who use FTCS's services will receive product-specific disclosure from the Network Institutions and other unaffiliated third-party intermediaries that provide services to our clients.

We have an additional conflict of interest when we recommend FTCS to provide credit solutions to our clients because our interest in continuing to receive investment advisory fees from client accounts gives us a financial incentive to recommend that clients borrow money rather than liquidating some or all of the assets we manage.



### ***Credit Solutions from FTCS***

For FTCS credit solutions, the interest rate of the loan is ultimately determined by the lender, although in some circumstances FTCS may have the ability to influence the lender to lower the interest rate of the loan. The final rate may be higher or lower than the prevailing market rate. We can offer no assurances that the rates offered to you by the lender are the lowest possible rates available in the marketplace.

Clients retain the right to pledge assets in accounts generally, subject to any restrictions imposed by clients' custodians. While the FTCS program facilitates secured loans through Network Institutions, clients are free instead to work directly with institutions outside the FTCS program. Because of the limited number of participating Network Institutions, clients may be limited in their ability to obtain as favorable loan terms as if the client were to work directly with other banks to negotiate loan terms or obtain other financial arrangements.

Clients should also understand that pledging assets in an account to secure a loan involves additional risk and restrictions. A Network Institution has the authority to liquidate all or part of the pledged securities at any time, without prior notice to clients and without their consent, to maintain required collateral levels. The Network Institution also has the right to call client loans and require repayment within a short period of time; if the client cannot repay the loan within the specified time period, the Network Institution will have the right to force the sale of pledged assets to repay those loans. Selling assets to maintain collateral levels or calling loans may result in asset sales and realized losses in a declining market, leading to the permanent loss of capital. These sales also may have adverse tax consequences. Interest payments and any other loan-related fees are borne by clients and are in addition to the advisory fees that clients pay us for managing assets, including assets that are pledged as collateral. The returns on pledged assets may be less than the account fees and interest paid by the account. Clients should consider carefully and skeptically any recommendation to pursue a more aggressive investment strategy in order to support the cost of borrowing, particularly the risks and costs of any such strategy. More generally, before borrowing funds, a client should carefully review the loan agreement, loan application, and other forms and determine that the loan is consistent with the client's long-term financial goals and presents risks consistent with the client's financial circumstances and risk tolerance.

### ***Cash Management Solutions from FTCS***

For FTCS cash management solutions, as stated above, certain third-party intermediaries provide administrative and settlement services in connection with the program. Those intermediaries each charge a fixed basis point fee on total deposits in the program. Before any interest is paid into client accounts, the Network Institutions and certain unaffiliated third-party service providers take their fees out, and the net interest is then credited to clients' accounts. Engaging FTCS, the Network Institutions, and these other intermediaries to provide cash management solutions does not alter the manner in which we treat cash for billing purposes.

Clients should understand that in rare circumstances, depending on interest rates and other economic and market factors, the yields on cash management solutions could be lower than the aggregate fees and expenses charged by the Network Institutions, the intermediaries referenced above, and us. Consequently, in these rare circumstances, a client could experience a negative overall investment return with respect to those cash investments. Nonetheless, it might still be reasonable for a client to participate in the FTCS cash management program if the client prefers to hold cash at the Network Institutions rather than at other financial institutions (e.g., to take advantage of FDIC insurance)

## ***Focus Risk Solutions***

We help clients obtain certain insurance products from unaffiliated insurance companies by introducing clients to our affiliate, Focus Risk Solutions, LLC (“FRS”), a wholly owned subsidiary of our parent company, Focus Financial Partners, LLC (“Focus”). FRS acts as an intermediary to facilitate our clients’ access to insurance products. FRS has agreements with certain third-party insurance brokers (the “Brokers”) under which the Brokers assist our clients with regulated insurance sales activity.

Neither we nor FRS receives any compensation from the Brokers or any other third parties for providing insurance solutions to our clients. For services provided by FRS to clients of other Focus firms, FRS receives a percentage of the upfront commission or a percentage of the ongoing premiums for policies successfully placed with insurance carriers on behalf of referred clients, and such compensation to FRS is also revenue for our common parent company, Focus Financial Partners, LLC. However, this compensation to FRS does not come from insurance solutions provided to any of our clients. The volume generated by our clients’ transactions does benefit FRS and Focus in attracting, retaining, and negotiating with the Brokers and insurance carriers. We mitigate this conflict by: (1) fully and fairly disclosing the material facts concerning the above arrangements to our clients, including in this Brochure; and (2) offering FRS solutions to clients on a strictly nondiscretionary and fully disclosed basis, and not as part of any discretionary investment services. Additionally, we note that clients who use FRS’s services will receive product-specific disclosure from the Brokers and insurance carriers and other unaffiliated third-party intermediaries that provide services to our clients.

The insurance premium is ultimately dictated by the insurance carrier, although in some circumstances the Brokers or FRS may have the ability to influence an insurance carrier to lower the premium of the policy. The final rate may be higher or lower than the prevailing market rate. We can offer no assurances that the rates offered to you by the insurance carrier are the lowest possible rates available in the marketplace.

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

Gratus permits its employees (“Associated Persons”) to buy or sell for their own accounts the same securities recommended to clients. Associated Persons are also permitted to recommend securities to clients in which they have proprietary interests, such as limited partnerships. Pursuant to Gratus’ policies, Associated Persons are prohibited from personally benefiting from the short-term market effects of their recommendations to clients. Associated Persons are required to report their investment holdings and disclose investment transactions periodically to the Adviser’s designated personnel. Gratus reviews and monitors transactions and recommendations by Associated Persons for wrongdoing and conflicts of interest.

Associated Persons have received training pertaining to the misuse of material non-public information and insider trading. Associated Persons are also permitted to buy or sell a specific security for their own account based on personal investment considerations that the Adviser does not deem appropriate to buy or sell for clients. Under limited circumstances and with prior approval, Associated Persons can participate in Initial Public Offerings and invest in private placements.

Gratus has adopted a Code of Ethics (the “Code”) that sets forth the standards of business conduct expected by the Adviser and the policies and procedures pertaining to personal securities transactions. It is the Adviser’s policy that its personnel owe a duty of loyalty, fairness and good faith to their clients and have the obligation to adhere not only to the specific provisions of the Code but also to the general principles that guide the Code. The Code covers a range of topics including general ethical principles, reporting personal securities trading, exceptions to reporting securities trading, reportable securities, initial public offerings and private placements, reporting ethical violations, distribution of the Code, review and enforcement processes, amendments to Form ADV, and supervisory procedures. A copy of the Code is available to any client or prospective client upon request.

## **Item 12 Brokerage Practices**

We recommend that our clients establish brokerage accounts with unaffiliated custodian broker-dealers to maintain custody of their respective assets and to effect investment transactions for their accounts. The custodian broker-dealers we recommend include the Schwab Institutional division of Charles Schwab & Co., Inc. (“Schwab”), a registered broker-dealer and member SIPC, TD Ameritrade Institutional and Fidelity Brokerage Services LLC (“Fidelity”)(collectively, “custodian broker-dealers”). The custodian broker-dealers provide brokerage, custody, research, and access to mutual funds and other investments. The custodian broker-dealers generally do not charge separately for custody, but are compensated by account holders through commissions or other transaction-related fees for securities trades they execute and for client assets held in their cash sweep.

We generally recommend custodian broker-dealers based on their reputation and proven integrity, quality of service, financial strength and the estimated cost and convenience to the client. We have institutional relationships with these custodian broker-dealers and they provide us and our clients with access to services that are not typically available to retail customer accounts. These include custody, reporting, and related services, as well as services to help us administer our clients’ accounts and manage and grow our business. These services generally are available to independent investment advisers on an unsolicited basis, at no charge to them so long as they maintain a required minimum level of client assets.

The custodian broker-dealers make available to the Adviser other products and services that benefit Gratus and its clients but that do not benefit individual investor accounts. Some of these other products and services assist Gratus in managing and administering client accounts. The products and services include software and other technology that provide access to client account data (such as trade confirmations and account statements); facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts); provide research, pricing information and other market data; facilitate payment of Gratus’ fees from client accounts; and assist with back-office functions, recordkeeping and client reporting. Many of these services generally can be used to service all or a substantial number of client accounts, including accounts not maintained at Schwab Institutional.

Custodian broker-dealers also make available to Gratus other services intended to help us manage and further develop Gratus' business enterprise. These available services include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, and marketing. In addition, Schwab makes available, arranges and/or pays for these types of services rendered to us by independent third parties. Schwab Institutional discounts or waives fees it would otherwise charge for some of these services or pays all or a part of the fees of a third-party providing these services to Gratus.

We are recommending that certain of our clients transition their accounts to Fidelity, a custodian broker-dealer who offers the institutional client services we describe above. In connection with the transition, under a support services agreement, Fidelity has agreed to provide certain benefits that include the payment of client account termination fees and payment of up to \$197,500 of our expenses as approved by Fidelity. Fidelity's payment of our expenses under the support services agreement is a benefit to us, and Clients' advisory fees will not be reduced by the expense payments Fidelity makes on our behalf.

Receiving products, services and payment of expenses from custodians we recommend creates a conflict of interest, as it incentivizes us to recommend custodians who provide products, services and reimbursement of expenses over those who do not recommend such products, services or pay expenses. We address this conflict by disclosing it to our clients, and by periodically reviewing the quality and cost of the services provided to our clients by the custodian broker-dealers we recommend.

See also the description of the Schwab Advisor Network, which is a national referral service discussed in Item 14: Client Referrals and Other Compensation, below.

### ***Choosing Brokers for Trading***

Gratus has the authority to select brokers to effect client transactions for certain accounts under its discretionary management. Gratus seeks to obtain the most favorable execution for each transaction under the circumstances. When seeking best execution, Gratus considers not only the commission rate offered by the broker, but also other factors such as the broker's service, responsiveness, financial responsibility and the value of research products and services that can be utilized by Gratus.

Gratus will under certain circumstances use discretionary authority to choose broker-dealers other than the custodian to execute trades for accounts held at Schwab and TD Ameritrade. In particular, we execute options trades through Raymond James and Stifel in an effort to seek best execution and in order to receive research benefits, as described in the Soft Dollars section below. Trades will be processed using the custodian's "trade away" service. Executions will be completed at the selected broker-dealer, and then settlement will be completed through the custodian. This service can involve additional transaction costs. However, Gratus has negotiated reduced "trade away" fees to minimize the cost difference to clients. The transactions will be reported on the custodial statements, and the securities are held directly with the custodian.

Gratus reviews trade executions at each custodian and broker on a regular basis to evaluate the executions received and execution costs being paid by clients.

### ***Aggregate Trading***

Gratus aggregates or “bunches” some buy or sell orders for two or more clients into a single large order and places the bunched order with a single broker or dealer for execution. The Adviser is not obligated to place all transactions on a bunched basis. When determining whether to bunch orders, Gratus assesses what course of action is likely to be fair and in the best interests of the relevant accounts on an overall basis. That is, Gratus seeks to avoid advantaging or disadvantaging client accounts that are effecting like transactions in the same securities.

The Adviser permits bunched or block trading when the following conditions are met:

- Orders of two or more clients can be bunched only if Gratus has determined on an individual basis that the transaction is:
  - In the best interests of each client participating in the order;
  - Consistent with a duty to obtain best execution; and
  - Consistent with the terms of the Investment Management Agreement of each participating client.
- When conducting a bunched or block trade, Gratus will determine the accounts that will participate and the specific allocations in advance of the transaction. If the entire order is filled, each client receives the allocation specified on the trade ticket. All allocations are made prior to the close of business on trade date. Client accounts participating in the transaction will receive the weighted average price of the security and will incur a pro-rata share of the transaction costs.
- If part of the order is unfilled, the allocation is based on a pro-rata share per client.

Gratus’ books and records separately reflect, for each client for whom an order is bunched, the securities held by, purchased, and sold for that client.

### ***Soft Dollars***

Gratus executes securities transactions through Raymond James and Stifel and pays customary commissions charged by those firms, which are more than the lowest commission available in the marketplace, in order to receive proprietary research products and services from them. When client brokerage commissions are used to obtain research or other products or services, a benefit is received because Gratus does not have to produce or pay for the research, products or services. Gratus can have an incentive to select or recommend a broker-dealer based on its interest in receiving the research or other products or services, rather than on its clients' interest in receiving most favorable execution. The soft dollar benefits received from Raymond James or Stifel service all clients’ accounts - not just those that paid for the benefits.

### ***Cross Transactions***

In a rare circumstance, Gratus can utilize cross transactions when a current client liquidates their account, sells securities to raise cash or a change occurs in the client's tax status necessitating the sale of bonds. Cross transactions are considered when Gratus feels the security is attractively priced in the present market

environment and that both sides will benefit from the transaction. If Gratus determines that a cross transaction is appropriate, Gratus will seek prices that are fair to both selling and purchasing clients. Typical securities considered for cross transactions are mortgage-backed securities, municipal bonds and corporate bonds. All cross transactions must be approved by Gratus' Chief Compliance Officer.

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

Account reviews are completed regularly by Gratus Wealth Advisors and members of the Gratus Investment Strategy Group. Account reviews are performed more frequently when market conditions dictate. Other conditions that can trigger a review are changes in the tax laws, new investment information, and changes in a client's own financial situation.

The client will receive statements at least quarterly from firms that custody their accounts. These statements show the transactions and holdings in the accounts as well as any deposits or withdrawals. The client will also receive access to performance reports from us that detail the asset allocation and performance of the client's accounts, projected income, and other meaningful tracking information.

Clients are urged to compare the information received from Gratus to the information received from the custodian of their assets.

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

Gratus has arrangements in place with certain third-party solicitors whereby Gratus compensates them for referring clients to Gratus. The compensation Gratus pays solicitors creates an incentive for the solicitor to refer clients to Gratus. The Advisers Act addresses this conflict of interest by requiring disclosures related to the referral, including a description of the material terms of the compensation arrangement with the solicitor.

Gratus pays third-party solicitors a percentage of the advisory fees Gratus receives from referred clients. Gratus requires third party solicitors who introduce potential clients to Gratus to provide the potential client, at the time of the solicitation, with a copy of a disclosure statement which explains that the solicitor will be compensated for the referral and contains the terms and conditions of the solicitation arrangement, including the percentage of the advisory fees or other compensation the solicitor is to receive.

Gratus receives client referrals from Charles Schwab & Co., Inc. ("Schwab") through Gratus' participation in Schwab Advisor Network® ("the Service"). The Service is designed to help investors find an independent investment advisor. Schwab is a broker-dealer independent of and unaffiliated with Gratus. Schwab does not supervise Gratus and has no responsibility for Gratus' management of clients' portfolios or Gratus' other advice or services. Gratus pays Schwab fees to receive client referrals through the Service. Gratus' participation in the Service raises potential conflicts of interest described below.

Gratus pays Schwab a Participation Fee on all referred clients' accounts that are maintained in custody at Schwab and a Non-Schwab Custody Fee on all accounts that are maintained at, or transferred to, another custodian. The Participation Fee paid by Gratus is a percentage of the fees the client owes to Gratus or a percentage of the value of the assets in the client's account, subject to a minimum Participation Fee. Gratus

pays Schwab the Participation Fee for so long as the referred client's account remains in custody at Schwab. The Participation Fee is billed to Gratus quarterly and can be increased, decreased or waived by Schwab from time to time. The Participation Fee is paid by Gratus and not by the client. Gratus has agreed not to charge clients referred through the Service fees or costs greater than the fees or costs Gratus charges clients with similar portfolios who were not referred through the Service.

Gratus generally pays Schwab a Non-Schwab Custody Fee if custody of a referred client's account is not maintained by, or assets in the account are transferred from Schwab. This Fee does not apply if the client was solely responsible for the decision not to maintain custody at Schwab. The Non-Schwab Custody Fee is a one-time payment equal to a percentage of the assets placed with a custodian other than Schwab. The Non-Schwab Custody Fee is higher than the Participation Fees Gratus generally would pay in a single year. Thus, Gratus will have an incentive to recommend that client accounts be held in custody at Schwab.

The Participation and Non-Schwab Custody Fees will be based on assets in accounts of Gratus' clients who were referred by Schwab and those referred clients' family members living in the same household. Thus, Gratus will have incentives to encourage household members of clients referred through the Service to maintain custody of their accounts and execute transactions at Schwab and to instruct Schwab to debit Gratus' fees directly from the accounts.

For accounts of Gratus' clients maintained in custody at Schwab, Schwab will not charge the client separately for custody but will receive compensation from Gratus' clients in the form of commissions or other transaction-related compensation on securities trades executed through Schwab. Schwab also will receive a fee (generally lower than the applicable commission on trades it executes) for clearance and settlement of trades executed through broker-dealers other than Schwab. Schwab's fees for trades executed at other broker-dealers are in addition to the other broker-dealer's fees. Thus, Gratus has an incentive to cause trades for clients to be executed through Schwab rather than another broker-dealer. Gratus nevertheless, acknowledges its duty to seek best execution of trades for client accounts. Trades for client accounts held in custody at Schwab can be executed through a different broker-dealer than trades for Gratus' other clients. Thus, trades for accounts custodied at Schwab can be executed at different times and different prices than trades for other accounts that are executed at other broker-dealers.

Gratus participates in the Fidelity Wealth Advisor Solutions® Program (the "WAS Program"), through which Gratus receives referrals from Fidelity Personal and Workplace Advisors LLC (FPWA), a registered investment adviser and Fidelity Investments company. Gratus is independent and not affiliated with FPWA or any Fidelity Investments company. FPWA does not supervise or control Gratus, and FPWA has no responsibility or oversight for Gratus' provision of investment management or other advisory services.

Under the WAS Program, FPWA acts as a solicitor for Gratus, and Gratus pays referral fees to FPWA for each referral received based on Gratus' assets under management attributable to each client referred by FPWA or members of each client's household. The WAS Program is designed to help investors find an independent investment advisor, and any referral from FPWA to Gratus does not constitute a recommendation or endorsement by FPWA of Gratus' particular investment management services or strategies. More



specifically, Gratus pays the following amounts to FPWA for referrals: the sum of (i) an annual percentage of 0.10% of any and all assets in client accounts where such assets are identified as “fixed income” assets by FPWA and (ii) an annual percentage of 0.25% of all other assets held in client accounts. In addition, Gratus has agreed to pay FPWA an annual program fee of \$50,000 to participate in the WAS Program. These referral fees are paid by Gratus and not the client.

Gratus’ participation in the WAS Program raises potential conflicts of interest. FPWA will most likely refer clients through the WAS Program to investment advisors that encourage their clients to custody their assets at Fidelity, including Fidelity Brokerage Services, LLC (“FBS”) and whose client accounts are profitable to Fidelity. Consequently, in order to obtain client referrals from FPWA, Gratus has an incentive to recommend to clients that the assets under management by Gratus be held in custody with Fidelity, including FBS and to place transactions for client accounts with Fidelity, including FBS. In addition, Gratus has agreed not to solicit clients referred to it through the WAS Program to transfer their accounts from Fidelity, including FBS or to establish brokerage or custody accounts at other custodians, except when its fiduciary duties require doing so. Gratus’ participation in the WAS Program does not diminish its duty to seek best execution of trades for client accounts.

To receive referrals from the WAS Program, Gratus must meet certain minimum participation criteria, but Gratus may have been selected for participation in the WAS Program as a result of its other business relationships with FPWA and its affiliates, including Fidelity Brokerage Services, LLC (“FBS”). As a result of its participation in the WAS Program, Gratus may have a potential conflict of interest with respect to its decision to use certain affiliates of FPWA, including FBS, for execution, custody and clearing for certain client accounts, and Gratus may have a potential incentive to suggest the use of FBS and its affiliates to its advisory clients, whether or not those clients were referred to Gratus as part of the WAS Program. Under an agreement with FPWA, Gratus has agreed that it will not charge clients more than the standard range of advisory fees disclosed in its Form ADV 2A Brochure to cover solicitation fees paid to FPWA as part of the WAS Program. Pursuant to these arrangements, Gratus has not to solicit clients to transfer their brokerage accounts from affiliates of FPWA or establish brokerage accounts at other custodians for referred clients other than when Gratus’ fiduciary duties would so require, and Gratus has agreed to pay FPWA a one-time fee equal to 0.75% of the assets in the client account that is transferred from FPWA’s affiliates to another custodian; therefore, Gratus may have an incentive to suggest that referred clients and their household members maintain custody of their accounts with affiliates of FPWA. However, participation in the WAS Program does not limit Gratus’ duty to select brokers on the basis of best execution.

Gratus Capital’s parent company is Focus Financial Partners, LLC (“Focus”). From time to time, Focus holds partnership meetings and other industry and best-practices conferences, which typically include Gratus Capital, other Focus firms and external attendees. These meetings are first and foremost intended to provide training or education to personnel of Focus firms, including Gratus Capital. However, the meetings do provide sponsorship opportunities for asset managers, asset custodians, vendors and other third-party service providers. Sponsorship fees allow these companies to advertise their products and services to Focus firms, including Gratus Capital. Although the participation of Focus firm personnel in these meetings is not

preconditioned on the achievement of a sales target for any conference sponsor, this practice could nonetheless be deemed a conflict as the marketing and education activities conducted, and the access granted, at such meetings and conferences could cause Gratus Capital to focus on those conference sponsors in the course of its duties. Focus attempts to mitigate any such conflict by allocating the sponsorship fees only to defraying the cost of the meeting or future meetings and not as revenue for itself or any affiliate, including Gratus Capital. Conference sponsorship fees are not dependent on assets placed with any specific provider or revenue generated by such asset placement.

The following entities have provided conference sponsorship to Focus from January 1, 2021 to March 1, 2022:

Charles Schwab & Co., Inc.

You can access a more recently updated list of recent conference sponsors on Focus' website through the following link:

<https://focusfinancialpartners.com/conference-sponsors/>

Certain product sponsors will assist Gratus in the company's marketing efforts. These sponsors provide speakers or financial assistance for client presentations on occasion. These relationships are not based upon the specific advice given to clients and do not relate to any achieved level of client investment in the products managed by the product sponsors.

## **Item 15 Custody**

Gratus is deemed to have custody of client funds where Gratus has the authority to deduct fees from client accounts. An explanation of Gratus' fee calculations is available to the client upon request. In addition, Gratus has custody over certain client accounts when Gratus accepts authority, through standing letters of authorization ("SLOAs") to instruct the client's account custodian to make transfers to third parties.

The qualified custodians of client assets (e.g., Schwab, TD Ameritrade or Fidelity) send statements directly to the client on at least a quarterly basis. The client should carefully review those statements. If there are any issues with custodian statements, please contact the Chief Compliance Officer, Adrian Chastain, at (404) 961 6000 or by email to [achastain@gratuscapital.com](mailto:achastain@gratuscapital.com). The Chief Compliance Officer is required to escalate any problems to senior management.

Gratus also provides account performance information to clients via a client portal and urges clients to compare the account statements received from the custodian to the information received from Gratus.

## **Item 16 Investment Discretion**

When we provide discretionary portfolio management services to client accounts, we have discretionary authority pursuant to the terms of the client investment management agreement to supervise, manage, and direct the assets in the managed portfolio with complete and unlimited trading authorization and to act as attorney-in-fact and the client's agent to purchase, sell, invest, reinvest, exchange, convert, and trade the assets in the client's managed portfolio and to place all orders for the purchase and sale of securities with

or through brokers, dealers, or issuers selected by Gratus, all without prior consultation with the client, and all at such times as Gratus deems appropriate. When necessary and appropriate, clients will sign "limited powers of attorney" or "trading authorizations" as required by client's custodian. Gratus is not empowered to liquidate and/or disburse proceeds of Client's assets to anyone other than Client without express written direction of Client, other than for the payment of management fees, account opening fees or termination fees.

For non-discretionary managed portfolios, Gratus does not have discretionary authority to effect trades without client authorization, but if the client accepts a recommendation to purchase or sell an investment, Gratus is responsible for completing the purchase or sale. Gratus includes the assets in non-discretionary managed portfolios in ongoing strategy formulation, asset allocation, and regular monitoring. Gratus does not have any responsibility to advise, monitor or report on the performance of a non-managed portfolio or investments selected by the client.

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

Gratus accepts proxy voting authority for our clients. We vote client proxies with the assistance of ProxyEdge. We vote client proxies in accordance with the recommendations of management unless we believe that doing so would not be in our client's best interest. Clients who would like to know how their proxies have been voted should contact us.

### **Item 18    Financial Information**

Gratus has no financial condition that is reasonably likely to impair its ability to meet contractual commitments to its clients.