

Donaldson Capital Management

One Fee Program Brochure

January 1, 2023

SEC CRD No. 106131

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

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

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

Donaldson Capital Management, LLC

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Item 2 – Material Changes

This Item discusses only the material changes that have occurred since Donaldson Capital Management’s (“DCM” or “Donaldson”) last annual update, filed March 30, 2021. The following material changes have been made:

- Items 4 and 5 was updated to provide information surrounding the Donaldson Rising Dividend Cornerstone Fund, a collective investment fund.
- Item 5 was updated to provide more information regarding the firm’s standard of care as it relates to recommendations to transfer or rollover your retirement accounts to accounts managed by DCM.
- Item 8 was updated to add a description of the Sequoia strategy and principal risks.

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Item 4 – Services, Fees, and Compensation

Introduction

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

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

We offer and consider ourselves to specialize in providing personalized Investment Management Services. We employ investment strategies using individual stocks, bonds or a combination of both designed to best fulfill the needs of our clients, focusing on income and/or

growth. We generally provide our services to individuals, pension and profit-sharing plans, trusts, estates, foundations, corporations, and other business entities.

Description of Advisory Services Offered

We generally provide investment management services to our retail clients through the One Fee Program. Participation in the One Fee Program is primarily facilitated by our affiliated investment advisor representatives. However, clients of unaffiliated independent investment advisors contractually engaged by Donaldson Capital Management are also eligible for the One Fee Program, as described below in ***Independent Money Manager Services***. Through this program, clients engage us to design an investment portfolio and provide ongoing corresponding investment management services on a *fee-only* basis. This service is structured so that we will serve as the sole investment advisor to the account.

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

To determine which management style best suits your needs, a DCM Portfolio Manager or a third-party investment advisor representative conducts an initial interview to obtain sufficient information to determine your financial situation and investment goals and objectives. The Portfolio Manager or third-party investment advisor representative will describe the different management styles we offer that might be most beneficial and appropriate considering your responses and objectives. Then, you and the Portfolio Manager or third-party investment advisor representative will choose the portfolio strategy (management style) by agreement for each account.

Because we specialize in generating income for clients, which investment management portfolio strategy (management style) and asset allocation are chosen depends in large part on how much income you need. Beyond that, your personal risk tolerance and time horizon are factored into the decision.

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

The main difference between the One Fee Program offered to proprietary clients and the One Fee Program open to clients through program sponsored by unaffiliated investment advisors and/or broker-dealers is that our proprietary clients will be provided one or more of the following services:

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

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

In performing its services, we shall not be required to verify any information received from your or from your other professionals and we expressly authorized to rely on the information provided to us. Moreover, you are advised that it remains your responsibility to promptly notify us if there are ever any changes in your financial situation or investment objectives for the purpose of reviewing, evaluating, and/or revising our previous recommendations and/or services.

We generally recommend, and in some cases may require, that you establish accounts at TD Ameritrade as a result of our participation in the TD Ameritrade Institutional program for advisors. We also recommend, and in some cases may require, that you establish accounts at National Financial Services LLC (NFS) through the Fidelity Institutional Wealth Services platform. TD Ameritrade Institutional is a division of TD Ameritrade, Inc. (TD Ameritrade) member FINRA/SIPC. TD Ameritrade is an independent and unaffiliated SEC-registered broker-dealer. NFS also an SEC-registered broker-dealer, member FINRA/SIPC. NFS is an affiliated company of Fidelity, but we are not affiliated with either NFS or Fidelity.

TD Ameritrade and NFS serve as qualified custodians for our clients' funds and securities. In rare situations and upon approval of Donaldson Capital Management, a client may select a broker-dealer other than TD Ameritrade or NFS to serve as qualified custodian. For more

details on the arrangement between our firm and TD Ameritrade, Fidelity and client-directed brokerage arrangements, see ***How we selected the Broker/Custodian*** section of this brochure.

Clients in the One Fee Program are charged an investment management fee based upon a percentage of the market value of the assets being managed by Donaldson Capital Management. The annual investment management fee rate charged shall vary (generally between 0.5% and 1.50%) depending upon the market value of assets under management and the specific type of investment management services to be rendered. We discuss the fees you will be charged in more detail in Item 5 of this Wrap Fee Program Brochure.

Independent Money Manager Services

The One Fee Program is also available to clients through programs sponsored by unaffiliated investment advisors and/or broker-dealers, including general asset allocation program offered by third-party firms. Through these programs, our strategies are available to clients for selection as an independent money manager.

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

DCM will have the power and authority, as granted by you through the program sponsor contract, to make investment decisions over the portion of your assets delegated to our firm. Depending on the specific program, you may also be required to execute an investment management agreement directly with DCM. We will be responsible for executing transactions in your account on a discretionary or non-discretionary basis as outlined in the agreement.

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

Financial Planning Services

To our proprietary clients, we offer financial planning services a la carte or as an integrated component of our investment management services. You may receive financial planning services on the following investment-related topics: retirement planning, insurance and tax planning, and education funding, amongst others. Our investment management clients may receive a one-time written plan that is subject to updates as circumstances dictate. Normally, we will not charge a separate fee for these services unless specified in our signed Investment

Advisory Agreement. If, at our sole discretion, we determine the client requires extraordinary planning and/or consultation services, we may assess a charge for additional services, the amount which shall be set forth in a separate written and signed agreement with you.

Types of Investments

In the One Fee Program, we provide investment advice on the following types of investments.

- No-Load (i.e., no trading fee) and Load-Waived (i.e., trading fee waived) Mutual Fund Shares
- Exchange-listed securities (i.e., stocks)
- Securities traded over the counter (i.e., stocks)
- Fixed income securities (i.e., bonds)
- Closed-End Funds and Exchange Traded Funds (ETFs)
- Foreign Issues
- Warrants
- Corporate debt securities (other than commercial paper)
- Commercial paper
- Certificates of deposit
- Municipal securities
- Variable life insurance
- Variable annuities
- United States government securities
- Options contracts on securities and commodities
- Interests in partnerships investing in real estate, oil and gas interests

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

Account Minimums and Restrictions

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

You have the ability to place reasonable restrictions on the types of investments that may be purchased in an account. You may also place reasonable limitations on the discretionary power granted to us so long as the limitations are specifically set forth or included as an attachment to the client agreement.

Billing / Fees for Proprietary Clients

The One Fee Program is a wrap fee program, as such, you will pay a bundled, annualized asset-based fee based on your account value as reported by the custodian of your account. Unless agreed to otherwise in writing, fees in the One Fee Program are deducted quarterly and are paid in advance based upon the fair market value of the assets of the account as reasonably determined by our firm on the last business day of each quarter.

Certain custodians, including TD Ameritrade and Fidelity, have eliminated commissions [or transaction fees] for online trades of U.S. equities, ETFs and options (subject to an additional fee per contract fee). This means that, in most cases, when we buy and sell these types of securities, we will not have to pay any commissions to the custodians. As such, we have an incentive and conflict of interest to either purchase these types of securities or limit our trading in other securities to avoid paying transaction fees.

The following is the basic fee schedule charged to our proprietary clients:

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

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

The One Fee Program can cost more or less than purchasing the same funds and investment advisory services individually. Factors that bear upon the cost of the One Fee Program include the type and size of the account, the historical and/or expected size or number of trades for the account, the investments selected, and the range of supplementary services provided.

Billing / Fees for Independent Money Manager Clients

Participants in the One Fee Program who engaged us as through an Independent Money Manager will pay an annualized investment advisory fee to DCM generally not to exceed .600% of the assets under our management. The following is the basic fee schedule charged by Donaldson Capital Management to clients through its third-party money manager services.

Market Value of Portfolio Assets Annual Fee

First \$500,000	0.600%
Next \$1,000,000	0.500%
Next \$2,000,000	0.450%
Next \$3,000,000	0.375%
Over \$6,500,000	0.250%
Over \$10,000,000	Negotiable

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

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

Financial Planning Fees

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

Miscellaneous Fees

If you purchase mutual funds, you will also incur charges imposed directly at the mutual fund level (i.e., fund advisory fees and expenses) in addition to potential transaction charges, commissions, or redemption fees charged by the broker-dealer/custodian. We do not receive any portion of the brokerage commissions or transaction fees charged in connection with a money manager program. In certain situations, you may incur additional transaction fees due to the firm "trading away" from its primary custodian or establishing a prime brokerage arrangement on your behalf. For example, this could occur where we elect to trade bonds through a prime brokerage arrangement. This will be disclosed to you in your contract with DCM and will only occur where we believe it is in your best interest to utilize the prime broker rather than our standard custodian/broker.

You may incur certain charges imposed by the program sponsor and other third parties, other than Donaldson Capital Management, in connection with investments made through a money manager program Account, including but not limited to, mutual fund sales loads, 12b-1 fees and surrender charges, IRA and qualified retirement plan fees.

Performance Fees

We do not charge or accept performance-based fees based on a share of capital gains on or capital appreciation of the assets held within your account.

Tax Advice/Implications

While we may consider the tax impact (as a result of the account type) of any potential portfolio changes, transactions in your account could result in realized taxable gains or losses, or the generation of taxable dividend income or tax-preference items that are taxable under the alternative minimum tax. Neither our firm nor the custodian or broker shall have any responsibility to pay these taxes. Our firm does not provide tax advice. We strongly urge you to consult with your tax advisor to discuss any tax concerns related to the ongoing advised service.

Terminating Service

The investment advisory agreement between will continue in effect unless terminated by either party by written notice in accordance with the terms and conditions of the Investment Advisory Services Agreement. Our investment management fee shall be prorated through the date of termination. After we receives notice of termination, all transaction expenses generated as a result of requests made by you, new advisor, agent, or custodian become your financial responsibility. You should keep in mind that if you cancel our services, your portfolio will remain invested in the investment options selected by DCM until you take further action.

Wrap Fees

Currently, the only investment management service we offer to new clients for separately managed accounts is our wrap fee program. A wrap fee program is defined as an advisory program in which the client pays a specified fee for portfolio management services and trade execution.

Wrap fee programs differ from other programs in that the fee structure for wrap programs is all-inclusive, whereas non-wrap fee programs assess trade execution costs that are in addition to the investment advisory fees. A wrap fee program is theoretically more expensive when trading activity is low and less expensive when trading activity is higher (such as when an account is established or actively managed). Conversely, a non-wrap fee program is more expensive when trading activity is high and lower when trading activity is less frequent. If the number of transactions in a wrap fee program is low enough, the wrap fee you pay will exceed the stand-alone investment advisory fee and separate brokerage commissions that would otherwise have been charged. Certain custodians, including TD Ameritrade and Fidelity, have eliminated commissions [or transaction fees] for online trades of U.S. equities, ETFs and options (subject to an additional fee per contract fee). This means that, in most cases, when we buy and sell these types of securities, we will not have to pay any commissions to TD Ameritrade and Fidelity. As such, we have an incentive and conflict of interest to either purchase these types of securities or limit our trading in other securities to avoid paying transaction fees. You should also be aware that less expensive options may be available through other investment advisors (wrap or non-wrap), or by managing your account personally.

Retirement Accounts

Guidance from the US Department of Labor (DOL) under Title I of the Employee Retirement Income Security Act (ERISA) and/or the Internal Revenue Code (Code), requires us to inform you that when we and our financial professionals provide nondiscretionary investment advice (including recommendations of our advisory program(s)) to you regarding your ERISA retirement plan or participant account or individual retirement account (which are all referred to as “retirement accounts”), that we and our financial professionals are fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code as applicable, which are laws governing retirement accounts. The way we make money creates some conflicts with your interests, so for retirement accounts we operate under a special rule that requires us to act in your best interest and not put our interest ahead of yours. Regulations under ERISA and the Code define fiduciary investment advice as (1) advice or recommendations, for a fee or other compensation, regarding investing in, purchasing or selling securities or other property to a plan, plan participant, or IRA owner; (2) provided on a regular basis; (3) where the advice is provided pursuant to a mutual agreement or understanding that; (4) the advice serves as a primary basis for investment decisions with respect to the plan or IRA assets; and (5) the advice is individualized to the plan participant or IRA owner.

Retirement Plan Rollovers

When leaving an employer, you typically have four options regarding your existing retirement plan: (1) leave the assets in the former employer’s plan, if permitted, (2) roll over the assets to the new employer’s plan, if one is available and rollovers are permitted, (3) roll over the assets to an Individual Retirement Account (“IRA”), or (4) take a full withdrawal in cash, which would result in ordinary income tax and a penalty tax if you are under age 59 ½.

If one of supervised persons recommends that you roll over your 401(k) or other qualified plan assets to an IRA managed by our firm, this rollover recommendation presents a conflict of interest in that we would receive compensation (or may increase current compensation) when investment advice is provided following your decision to roll over your plan assets. We will discuss your retirement plan options including retention of your 401(k) or qualified plan assets with your current plan, if allowed. You should carefully review the information regarding your rollover options and the associated costs. You are under no obligation to rollover retirement plan assets to an account managed by us.

When we provide investment advice to you regarding your retirement plan account or individual retirement account, we are fiduciaries within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. The way we make money creates some conflicts with your interests, so we operate under a special rule that requires us to act in your best interest and not put our interest ahead of yours.

Under this special rule’s provisions, we must:

- Meet a professional standard of care when making investment recommendations (give prudent advice).
- Never put our financial interests ahead of yours when making recommendations (give loyal advice).
- Avoid misleading statements about conflicts of interest, fees, and investments.

- Follow policies and procedures designed to ensure that we give advice that is in your best interest.
- Charge no more than is reasonable for our services; and
- Give you basic information about conflicts of interest.

It is important that you understand the differences between these types of accounts and to decide whether a rollover is best for you. Prior to proceeding, if you have any questions, you may contact the firm's Chief Compliance Officer, or call our main number as listed on the cover page of this brochure.

Assets Under Management

As of December 31, 2021, Donaldson Capital Management managed a total of \$2,616,028,278. The entire amount is managed on a discretionary basis.

Item 5 – Account Requirements and Types of Clients

Participation in the One Fee Program is open to all retail clients, including individuals, high net worth individuals, trusts, estates, charitable organizations, and limited liability companies. With the exception that the account must be maintained at TD Ameritrade, we currently impose no other requirements for enrolling and maintaining accounts in the program. Donaldson Capital Management requires a minimum investment amount of \$500,000 for its investment management services. Exceptions to these minimums may be granted by us on a case-by-case basis.

Item 6 – Portfolio Manager Selection & Evaluation

Under the One Fee Program, we will directly manage your account. Prior to Donaldson Capital Management providing investment management services, you will be required to enter into a formal Investment Advisory Services Agreement with DCM setting forth the terms and conditions under which we shall manage your assets, and a separate custodial/clearing agreement with the broker-dealer/custodian.

Investment Philosophy & Models

You will be interviewed for the purpose of gathering sufficient information to determine your most appropriate investment portfolios given your unique investment mandate(s). All clients receive supplemental information from our firm that provides greater detail of our various investment portfolios – generally found in our investment advisory agreement. The following are brief descriptions of our standard investment portfolios (i.e., models) along with any unique risks associated with the portfolios.

1. Rising Dividend Equities -
 - a. Cornerstone – invests primarily in common stocks of companies that have both a current dividend yield greater than that of the Standard and Poor's 500 Stock Index (S&P 500) and what we believe to be a higher-than-average projected dividend growth rate. This style seeks a combination of capital appreciation and growing income. While these companies are generally less volatile than the

average stock, investors must be able to assume the risk and volatility that is inherent with investing in stocks.

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

5. Sequoia – this strategy invests primarily in a concentrated portfolio of the common stocks of companies with mid to large capitalization, but also may invest in small capitalization stocks as well. The strategy can also invest in stocks based outside of the United States. This style of management is for investors who are financially able to assume the risk and volatility of investing in stocks in exchange for the potential rewards of long-term capital appreciation. It may be inappropriate for taxable accounts because of the potential for above-average turnover.

Investment Strategies

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

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

Methods of Analysis

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

- **Fundamental** - Fundamental analysis of a security involves analyzing everything that can affect its value such as its business financial statements and health, its management and competitive advantages, and its competitors and markets. This method of security analysis is considered to be the opposite of technical analysis. Fundamental analysis is about using real data to evaluate a security's value. Although most analysts use fundamental analysis to value stocks, this method of valuation can be used for just about any type of security.
- **Technical** - Technical analysis of a security maintains that all information is reflected already in the stock price. It is a method of evaluating securities by analyzing statistics generated by market activity, such as past prices and volume. Technical analysts do not attempt to measure a security's intrinsic value, but instead use charts and other tools to

identify patterns that can suggest future activity. Technical analysts believe that the historical performance of stocks and markets are indications of future performance.

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

Review of Accounts

Investment management accounts are reviewed at least quarterly by our firm, but we may review accounts more frequently based on changes to your situation and upon your request. We manage client portfolios on a team basis. The underlying portfolios held in client accounts and recommended by the firm are reviewed on an on-going basis by our Investment Department, including the Trading team, individual investment advisors, with oversight provided by the Investment Policy Committee. Your accounts are managed by Donaldson Capital Management in accordance with parameters set forth and determined by our investment personnel.

Regular Reports and Electronic Delivery

We will provide you a quarterly macro-economic newsletter in which major economic forces and trends in the economy will be discussed. It will include analyses of how these forces and trends will affect stocks, bonds, and interest rates. Special reports will be included as economic and market changes warrant. Presently, no subscription fee is charged for this service.

We may also provide performance or position reports to you on a periodic or on-demand basis. You are urged to compare all reports provided by our firm against the account statements received from the qualified custodian which are provided to you directly from the qualified custodian. The qualified custodian is required to provide statements to clients at a minimum on a quarterly basis.

Risk Factors

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

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

- **Equity (Stock) Market Risk** – Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. If you held common stock, or common stock equivalents, of any given issuer, you would generally be exposed to greater risk than if you held preferred stocks and debt obligations of the issuer.

- Company Risk – When investing in stock positions, there is always a certain level of company or industry specific risk that is inherent in each investment. This is also referred to as unsystematic risk and can be reduced through appropriate diversification. There is the risk that the company will perform poorly or have its value reduced based on factors specific to the company or its industry. For example, if a company's employees go on strike or the company receives unfavorable media attention for its actions, the value of the company may be reduced.
- Fixed Income Risk – When investing in bonds, there is the risk that issuer will default on the bond and be unable to make payments. Further, individuals who depend on set amounts of periodically paid income face the risk that inflation will erode their spending power. Fixed-income investors receive set, regular payments that face the same inflation risk.
- Investment style risk – Since certain of our strategies have the discretion to invest in international stocks as well as small and mid-cap stocks rather than large-cap stocks, there is the chance that returns from non-U.S. mid to large-cap stocks and, to the extent that our strategies are invested in them, small-cap stocks, will trail returns from global stock markets. Historically, non-U.S. small-cap stocks have been more volatile in price than the mid to large-cap stocks that dominate the global markets, and they often perform quite differently.
- Country/regional risk – Since certain of our strategies (like Sequoia) may trade international stocks, there is the chance that world events—such as political upheaval, financial troubles, or natural disasters—will adversely affect the value of securities issued by companies in foreign countries or regions. Because our strategies may invest a portion of its assets in securities of companies located in any one country or region, including emerging markets, the strategies' performance may be hurt disproportionately by the poor performance of its investments in that area. Country/regional risk is especially high in emerging markets.
- Currency risk – Since certain of our strategies trade international stocks in addition to domestic securities, there is the chance that the value of a foreign investment, measured in U.S. dollars, will decrease because of unfavorable changes in currency exchange rates. Currency risk is especially high in emerging markets.
- Options Risk – Options on securities may be subject to greater fluctuations in value than an investment in the underlying securities. Purchasing and writing put and call options are highly specialized activities and entail greater than ordinary investment risks.
- ETF and Mutual Fund Risk – When we invest in an ETF or mutual fund, it will bear additional expenses based on its pro rata share of the ETFs or mutual fund's operating expenses, including the potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities the ETF or mutual fund holds.

- **Management Risk** – Your investment with our firm varies with the success and failure of our investment strategies, research, analysis, and determination of portfolio securities. If our investment strategies do not produce the expected returns, the value of the investment will decrease.
- **Margin Risk** – When you purchase securities, you may pay for the securities in full or you may borrow part of the purchase price from your broker/dealer. If you intend to borrow funds in connection with your account, you will be required to open a margin account, which will be carried by the broker/dealer of your account. The securities purchased in such an account are the broker/dealer's collateral for its loan to you. If the securities in a margin account decline in value, the value of the collateral supporting this loan also declines, and, as a result, a brokerage firm is required to take action, such as issue a margin call and/or sell securities or other assets in your accounts, in order to maintain necessary level of equity in the account. It is important that you fully understand the risks involved in trading securities on margin, which are applicable to any margin account that you may maintain, including any Margin Account that may be established as a part of our Investment Management Services and held by your broker/dealer. These risks include the following:
 - You can lose more funds than you deposit in your margin account.
 - The broker/dealer can force the sale of securities or other assets in your account.
 - The broker/dealer can sell your securities or other assets without contacting you.
 - You are not entitled to choose which securities or other assets in your margin account that may be liquidated or sold to meet a margin call.
 - The broker/dealer may move securities held in your cash account to your margin account and pledge the transferred securities.
 - The broker/dealer can increase its "house" maintenance margin requirements at any time and are not required to provide you advance written notice.
 - You are not entitled to an extension of time on a margin call.

Custody

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

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

Trade Errors

We have implemented procedures designed to prevent trade errors; however, trade errors in client accounts cannot always be avoided. Consistent with its fiduciary duty, it is our policy to correct trade errors in a manner that is in the best interest of the client. In cases where the trade error is caused by your actions rather than the actions of our firm, you will be responsible for any loss resulting from the correction.

In all situations where you do not cause the trade error, you can expect to be made whole and any loss resulting from the trade error will be absorbed by our firm if the error was caused by Donaldson or a supervised person of our firm. If the error is caused by the broker-dealer, the broker-dealer will be responsible for covering all trade error costs. If an investment gain results from the correcting trade, the gain will remain in your account unless the same error involved other client account(s) that should also receive the gains and it is not permissible for all clients to retain the gain. Depending on the specific circumstances of the trade error, you may not be able to receive any gains generated as a result of the error correction.

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

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

Block Trading Policy

Transactions implemented by us for your accounts are generally affected independently unless we decide to purchase or sell the same securities for several clients at approximately the same time. This process is referred to as aggregating orders, batch trading or block trading and is used by when we believe such action may prove advantageous to our clients. When we aggregate client orders, the allocation of securities among client accounts will be done on a fair and equitable basis with no particular group or client(s) being favored or disfavored over any other clients.

Typically, the process of aggregating orders is done in order to achieve better execution or to allocate orders among clients on a more equitable basis in order to avoid differences in prices and transaction fees or other transaction costs that might be obtained when orders are placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among our clients in proportion to the purchase and sale orders placed for each client account on any given day. When we determine to aggregate client orders for the purchase or sale of securities, including securities in which we and our supervised persons may invest, we will do so in accordance with the parameters set forth in the SEC No-Action Letter, SMC Capital, Inc. It should be noted, our firm does not receive any additional compensation or remuneration as a result of aggregation.

Trading Away from TD Ameritrade and Fidelity

From time to time, we may elect to purchase bonds through bond broker-dealers to obtain a better price for our clients. The bonds may be delivered into either a block account that DCM has at TD Ameritrade or Fidelity where the bonds are then allocated to your brokerage account, or the bonds can be delivered directly into your account.

This practice is known as Directed Trade whereby DCM “directs the trade” away from TD Ameritrade or Fidelity to another bond broker-dealer. TD Ameritrade or Fidelity still executes the trade and sends out confirmations to you. This is the only case in which we select a broker-dealer to be used without specific client consent.

When we elect to trade away, the custodians generally charge your account additional fees per order entered at an executing broker-dealer. The Directed Trade fee is built into the price of the bond.

We can also choose to set up an account for prime-brokerage bond trading with your signed consent. This also allows for bonds to be purchased through broker-dealers but for only those accounts qualifying by size and with your consent. This can broaden the available market for bond purchases and creates more negotiation power when buying bonds for participating clients. When we use Prime Brokerage to purchase bonds from another broker, the custodian will assess a separate transaction cost for these bond purchases. These transaction costs are your responsibility and are paid at the time of execution.

Cross Transactions

A cross transaction occurs when securities are bought and sold between two separate client accounts (e.g., Client A and Client B). When advantageous to both parties, we may implement cross transactions for fixed income securities between two clients of our firm. Prior to implementing a cross transaction in your account, you must provide standing authorization allowing us to implement such transactions. Cross transactions made by our firm are always implemented between fee-based investment advisor accounts. We cannot (and will not) implement cross transactions between a commission-based brokerage account and a fee-based advisory account.

We will utilize an independent third party to determine the price when implementing cross transactions. We only employ cross transactions when the prices to both buyers and sellers are at least equivalent to or better than prices generally available on the open market.

How we selected the Broker/Custodian

For clients opening an account participating Donaldson Capital Management’s One Fee Program, we generally recommend (and in some cases requires) the use of TD Ameritrade and Fidelity.

TD Ameritrade Institutional

Donaldson Capital Management participates in the TD Ameritrade Institutional program for advisors. TD Ameritrade Institutional is a division of TD Ameritrade, Inc., (“TD Ameritrade”) member FINRA/SIPC. TD Ameritrade is an independent and unaffiliated SEC-registered broker-

dealer. It offers to independently registered investment advisors services which include custody of securities, trade execution, clearance, and settlement of transactions. The following paragraphs describe additional benefits Donaldson Capital Management receives from TD Ameritrade through its participation in the program (Please see the disclosure under Item 14 below).

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

Research and Other Soft Dollar Benefits

We do not receive research or other products or services other than execution from a broker-dealer or a third-party in connection with client securities transaction ("soft dollar benefits").

Donaldson participates in TD Ameritrade's institutional customer program and DCM may recommend TDA to Clients for custody and brokerage services. There is no direct link between Advisor's participation in the program and the investment advice it gives to its Clients, although the Advisor receives economic benefits through its participation in the program that are typically not available to TDA retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving Advisor participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts; the ability to have advisory fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology and practice management products or services provided to DCM by third party vendors. TDA may also have paid for business consulting and professional services received by DCM's related persons. Some of the products and services made available by TDA through the program may benefit DCM but may not benefit its client accounts. These products or services may assist DCM in managing and administering client accounts, including accounts not maintained at TDA. Other services made available by TDA are intended to help DCM manage and further develop its business enterprise. The benefits received by DCM or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TDA. As part of our fiduciary duties to clients, DCM endeavors always to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by DCM or its related persons in and of itself creates a potential conflict of interest and may indirectly influence the Advisor's choice of TDA for custody and brokerage services.

Additional Services

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

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

Brokerage and Client Referrals

When selecting or recommending broker-dealers, we do not consider whether we or a related person receives client referrals from such broker-dealer or third party. As a result of past participation in TD Ameritrade's AdvisorDirect program, DCM received client referrals from TD Ameritrade. TD Ameritrade established the AdvisorDirect program as a means of referring its brokerage customers and other investors seeking fee-based personal investment management services or financial planning services to independent investment advisors. TD Ameritrade does not supervise DCM and has no responsibility for Donaldson's management of client portfolios or the Firm's other advice or services. DCM no longer participates in the AdvisorDirect program for purposes of receiving client referrals. Due to the agreement signed with TD Ameritrade, the Firm is obligated to pay TD Ameritrade an on-going fee for each successful client relationship established because of past referrals, in an amount up to .25% of the advisory fee that the client pays to Donaldson ("Referral Fee"). The Firm will also pay TD Ameritrade the same fee on any advisory fees received by Donaldson from any of a referred client's family members, including a spouse, child or any other immediate family member who resides with the referred client, who hired Donaldson on the recommendation of such referred client. The Firm will not charge clients referred to it through AdvisorDirect any fees or costs higher than its standard fee schedule offered to its other clients or otherwise pass Referral Fees paid to TD Ameritrade to its clients. In addition, Donaldson has agreed not to solicit clients referred to it through AdvisorDirect to transfer their accounts from TD Ameritrade or to establish brokerage or custody accounts at other custodians, except when its fiduciary duties require doing so.

Fidelity Institutional Wealth Services

For both proprietary clients and clients of third-party independent investment advisors opening an account participating in this program, clients have the option to establish accounts at Fidelity with National Financial Services LLC (NFS) as the qualified custodian and broker/dealer. The recommendation and use of Fidelity and NFS is the result of our participation in the Fidelity Institutional Wealth Services program. NFS, a division of Fidelity, Inc. is a registered broker/dealer, member FINRA/SIPC/NFA ("NFS") and will serve as your qualified custodian and maintain physical custody of all client funds and securities. You must designate DCM as your investment advisor on the accounts you'd like DCM to manage. DCM will be granted limited

power-of-attorney on the account to implement trades within the account and (when agreed to by you) deduct DCM advisory fees from the account.

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

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

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

Directed Brokerage

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

Voting Client Securities

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

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

Legal Actions

You will retain the right under the applicable securities laws to initiate individually a lawsuit or join a class-action lawsuit against the issuer of a security that was held, purchased, or sold by or for you. We will not initiate such a legal proceeding on your behalf, and we will not provide legal advice to you regarding potential causes of action against such security issuers and/or whether you should join a class-action lawsuit. We recommend that you seek legal counsel prior to making a decision regarding whether to participate in such a class-action lawsuit.

Moreover, our services do not include monitoring or informing you of any potential or actual class-action lawsuits against the issuers of the securities that were held, purchased, or sold by or for your account(s). However, upon your specific instruction or request, we may provide assistance regarding your investment history related to the security underlying the individual or class-action lawsuit and provide assistance with the completion of this portion of certain class-action paperwork. At no time should you consider such assistance a substitute for consulting with legal counsel.

Item 7 – Client Information Provided to Portfolio Managers

Our firm manages all accounts participating in the One Fee Program internally, and because of this, there are no external portfolio managers with whom DCM could share client information. Your DCM Portfolio Managers will have direct access to all information that you share with our firm.

Item 8 – Client Contact with Portfolio Managers

You are encouraged to contact your personal Investment Advisor whenever you have questions about the management of your account, the strategy selected, and any additional investment options that may be available. Your Investment Advisor may also facilitate conversations with members of the Investment Policy Committee as necessary.

Item 9 – Additional Information

Disciplinary Information

Our firm has no legal or disciplinary events to report.

Other Financial Industry Activities and Affiliations

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

Board Members

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

Code of Ethics Summary

Donaldson Capital Management, as a matter of policy and practice, and consistent with industry best practices and SEC requirements (SEC Rule 204A-1 under the Investments Advisers Act of 1940), has adopted a written Code of Ethics covering all supervised persons. Our Code of Ethics requires high standards of business conduct, compliance with federal securities laws, reporting and recordkeeping of personal securities transactions and holdings, reviews, and sanctions.

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

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

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

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

Affiliate and Employee Personal Securities Transactions Disclosure

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

Investment Discretion

After receiving written authorization from you, we generally implement trades in your account(s) on a discretionary basis. When discretionary authority is granted, we will have the authority to determine the type of securities, the amount of securities that can be bought or sold and the broker or dealer to be used for the client's portfolio without obtaining the client's consent for each transaction. However, it is our policy to consult with the client prior to making significant changes in the account even when discretionary trading authority is granted by the client.

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

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

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

You have the ability to place reasonable restrictions on the types of investments that may be purchased in your account. You may also place reasonable limitations on the discretionary power granted to so long as the limitations are specifically set forth or included as an attachment to the client agreement.

Referral Arrangements

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

Financial Information

We will disclose any financial condition that is reasonably likely to impair our ability to meet contractual commitments to you. At this time, we have no financial conditions that would impair our ability to meet contractual commitments to you.