

Part 2A of Form ADV: *Firm Brochure*

March 14, 2023

Item 1: Cover Page

A. Contact Information

Townsend Asset Management Corp.
3110 Edwards Mill Rd., STE 150
Raleigh, NC 27612

Phone: (919) 782-9689

Fax: (919) 783-0226

Website: www.AssetMgr.com

Email: Advisor@AssetMgr.com

B. Purpose of Brochure

This brochure provides information about the qualifications and business practices of Townsend Asset Management Corp. (hereinafter also referred to as “Townsend”, or “the firm”). If you have any questions about the contents of this brochure, please contact us at (919) 782-9689 or Advisor@AssetMgr.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 Townsend Asset Management Corp. also is available on the SEC’s website at www.adviserinfo.sec.gov.

C. Registration

Townsend Asset Management Corp. is registered with the Securities & Exchange Commission (“SEC”) as an investment advisor. Registration with the SEC and/or a state regulatory authority is a required procedure for any individual or entity providing investment advice but does not imply a certain level of skill or training.

Item 2: Material Changes

This Brochure, dated March 14, 2023, replaces the previous version dated March 23, 2022. This item of the Brochure discusses only the materials changes that have occurred since the firm's last annual amendment.

Since our last annual amendment filed on March 23, 2021, the following material changes were made:

- **Item 4 Advisory Business.** Townsend updated the firm's assets under management as of December 31, 2022.

Townsend may, at any time, update this brochure and either: (1) send you a copy without charge; or (2) provide a summary of the material changes and offer to send you a copy of the ADV Part 2 without charge, provided the offer is accompanied by certain contact information. Pursuant to SEC Rules, we will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. We may further provide other ongoing disclosure information about material changes, as necessary.

A copy of this Brochure may be requested by contacting the Chief Compliance Officer, Caleb Griffith, at (919) 782-9689 or caleb@assetmgr.com.

Item 3: Table of Contents

Contents

Item 1: Cover Page	1
Item 2: Material Changes.....	2
Item 3: Table of Contents.....	3
Item 4: Advisory Business	4
Item 5: Fees and Compensation	7
Item 6: Performance-Based Fees.....	9
Item 7: Types of Clients.....	9
Item 8: Methods of Analysis, Investment Strategies & Risk of Loss	10
Item 9: Disciplinary Information	12
Item 10: Other Financial Industry Activities and Affiliations	13
Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	13
Item 12: Brokerage Practices	14
Item 13: Review of Accounts	17
Item 14: Client Referrals and Other Compensation.....	18
Item 15: Custody	18
Item 16: Investment Discretion	18
Item 17: Voting Client Securities.....	19
Item 18: Financial Information.....	19
Privacy Policy	Error! Bookmark not defined.

Item 4: Advisory Business

A. Firm Background

Townsend Asset Management Corp was established in 1982 by Gerald and Katrina Townsend. It is registered with the SEC as an investment advisor. Townsend is an independent firm and are not affiliated with any other entity.

B. Advisory Services

Our services include:

a. Investment Management

Ongoing management of your investment portfolios, based on your goals and needs.

The firm follows a disciplined process comprised of the following steps:

- i. *Goal Setting* – Understanding your personal and financial goals.
- ii. *Resources* – Reviewing your assets, income, and other financial resources.
- iii. *Constraints* – Identifying Items affecting management.
 1. Your time frame for investing
 2. Your need for liquidity or marketability of your investments
 3. Tax or legal considerations
 4. Your income requirements
 5. Your diversification needs.
 6. Your age, health, or other personal matters
- iv. *Economic Considerations* – Developing a domestic and international economic outlook, as well as a viewpoint on government monetary and fiscal policy.
- v. *Investment Policy* – Developing an overall policy regarding your investments that serves as a guide to the management of their portfolio.
- vi. *Asset Allocation* – Spreading your investments among different classes of assets, such as: cash equivalents; short, intermediate or long-bonds; small or large capitalization stocks; foreign stocks or bonds; mutual funds; etc.
- vii. *Security Selection* – Determining and acquiring your specific investments.
- viii. *Performance Reporting* – In addition to statements provided by the custodian or brokerage firm, Townsend provides quarterly performance and asset allocation reports.
- ix. *Ongoing Management* - Monitoring your portfolio and making changes when necessary. This also involves meetings or other communication regarding your investments or changes in your goals or resources.

b. **Financial Planning**

Financial planning covers some or all the following:

- i. Personal and family goals and life issues
- ii. Budgeting and cash flow management
- iii. Income tax planning
- iv. Risk management and insurance needs analysis
- v. Retirement planning and strategies for funding and withdrawal
- vi. Employee benefits review
- vii. College education funding strategies
- viii. Business analysis and planning
- ix. Asset protection planning
- x. Asset allocation and investment advice
- xi. Estate conservation and distribution strategies

c. **Tax Preparation and Planning**

Townsend prepares federal and state income or other tax returns for individuals, businesses, and other entities.

d. **Consulting**

Townsend consults with clients on a broad range of financial, tax, retirement, estate, and investment matters.

e. **Wealth Management**

This is a term Townsend uses to describe a comprehensive service that includes our Investment Management, Financial Planning, Tax Preparation and Consulting services, under a single fee arrangement.

f. **Retirement Plan Rollovers – No Obligation / Conflict of Interest**

A client or prospective client leaving an employer has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). If Townsend recommends that a client roll over their retirement plan assets into an account to be managed by Townsend, such a recommendation creates a conflict of interest if Townsend will earn new (or increases its current) compensation as a result of the rollover. No client is under any obligation to roll over retirement plan assets to an account managed by Townsend.

C. Services Based on Client Needs

Our services are tailored to each client's individual needs. In initial meetings we gather personal and financial information and discuss short- and long-term goals, preferences, or restrictions, as well as what services you need and what your expectations are in a client-advisor relationship. From this, we jointly determine the services that would be most beneficial to the client and how to best structure the delivery of those services.

For example: The client may impose a restriction against investing in a certain security or a particular type of security and we would avoid that security or types of securities. Conversely, the client may indicate a preference for including certain securities or types of securities in your portfolio.

D. Wrap Fee Programs

Townsend does not participate in any wrap fee programs.

E. Assets Managed

The firm can manage accounts on either a "discretionary" or a "nondiscretionary" basis, although normally it is on a discretionary basis.

When managing on a discretionary basis, Townsend is permitted to determine, without obtaining the specific consent of the client, the securities, and the amounts to be bought or sold. Discretionary management is useful for an advisor, due to the time needed if prior approval is required before implementing each transaction in your account. In addition, Townsend manages client portfolios in accordance with the client's expressed goals and the investment policy mutually agreed upon. Finally, through a custodian's confirmations and statements, our own reporting, and other forms of communication, clients are always kept apprised of transactions within their accounts.

As of 12/31/2022, the assets the firm manages are as follows:

Managed on a discretionary basis	<u>\$ 307,133,556</u>
Managed on a nondiscretionary basis	<u>\$ 39,168,508</u>
Total assets managed	<u>\$ 346,302,064</u>

Item 5: Fees and Compensation

A. Fee Schedule and Method

a. Consulting, Tax Preparation and/or Financial Planning

Fees for services such as consulting, tax preparation and/or financial planning may be determined as follows:

- i. Hourly Rates – these rates vary depending on the staff member(s) rendering the service the service and the service provided. Hourly rates normally range from \$250-\$500.
- ii. Flat Fee – A flat or project fee may be quoted.
- iii. Retainer Fees – A retainer fee may be charged for services of an ongoing nature.

b. Investment Management

Investment management services are normally billed based on a percentage of the value of the assets being managed. Annual Investment management fees typically range from 0.40% to 1.35% and this percentage may decrease as the value of the assets being managed increases.

Our annual fees for investment management or wealth management services are prorated in the initial quarter to the account funding date. Clients are generally charged quarterly, in advance, based upon a percentage (%) of the market value of the assets under management as of the last business day of the previous quarter, as valued by the Custodian, and generally in accordance with the fee schedule below.

Value of Portfolio Assets	Annual Fee (% of Portfolio Value)
On first \$1 million	1.00%
On excess over \$1 million, up to \$2 million	0.80%
On excess over \$2 million, up to \$5 million	0.60%
On excess over \$5 million, up to \$10 million	0.40%
On excess over \$10 million, up to \$20 million	0.30%

The Fee schedule above is tiered so that Assets at each level are charged the corresponding fee.

c. Wealth Management

Fees for wealth management services are individually quoted for each client and are influenced by the value of the assets being managed, a client's overall assets and net worth, and the complexity of their financial situation.

d. Fee Variances

Townsend strives for our fees to be fair, reasonable and to fit a client's situation, circumstances, and needs. Therefore, fees may be negotiated, depending on the nature of the services being provided, types of investments being used, style and frequency of trading, or other factors. Your specific fee is described in the Engagement Letter that is signed by both Townsend and the client.

Townsend considers cash to be an asset class, and include cash balances in our fee calculation. There are some cases, where Townsend may not bill on a client's cash reserves, for example, where a client has designated significant percentage / amount of cash to be held aside purposefully .

B. Fee Billing

Fees for hourly services are billed upon the completion of the service.

Flat fees that are charged for one-time engagements are also customarily billed at the completion of the service, although an up-front payment of part of the fee may be required.

Normally our fees are deducted from the client's investment account, although clients can choose to be billed directly instead.

C. Other Fees or Expenses

In addition to fees charged by the firm, clients can also incur other additional fees or expenses. The custodian or brokerage firm holding client accounts can charge custodial fees. Brokerage fees or other transaction costs can be incurred when buying or selling securities. Townsend generally uses mutual funds without sales charges; however, all mutual funds have internal expense costs, and some charge redemption fees if a fund is sold too soon after purchase. The firm makes every effort to minimize these other fees or expenses. Refer to Item 12 in our brochure for further information on our brokerage practices.

D. Refunds of Fees

Upon termination of any account unearned fees will be promptly refunded. In calculating a

client's reimbursement of fees, we will pro rate the reimbursement according to the number of days remaining in the billing period.

E. Other Compensation

Townsend is a registered investment advisor and the only compensation received for our services are the fees charged to our clients. We do not receive any commissions or other fees from other parties.

Individual advisors associated with a registered investment advisor and providing advice to clients of an advisor are referred to as "Investment Advisor Representatives" (IARs) and they receive a portion of our fee as compensation for their services. No IAR affiliated with us receives any commissions or fees from the sale of securities. However, Townsend employees, Gerald Townsend, Leon Abbas, and Arne Morris are individually licensed to provide non-securities products, such as insurance or annuities and, in that case, could receive compensation from the sale of these other financial products.

We recognize that any additional compensation received by an IAR presents a potential conflict of interest in the rendering of financial or investment advice, as it could give an IAR an incentive to recommend a product based on the compensation received, rather than on your needs. However, if the IAR believes a product fits your needs, you are made aware if additional compensation will be earned and can make your own decision to either purchase the product or not, or to acquire it from another provider.

We also recognize that any compensation received related to insurance or annuities sales, in addition to fees charged directly to clients, presents a potential conflict of interest in the rendering of financial or investment advice, as it could give an incentive to recommend a product based on the compensation received, rather than on a client's needs. However, if a product does fit a client's needs, the client is made aware if additional compensation will be earned and can make their own decision to either purchase the product or not, or to acquire it from another provider.

Item 6: Performance-Based Fees

Performance-based fees are based upon a share of the capital gains or appreciation in an account. Townsend does not charge any performance-based fees as investment management fees are strictly based on the value of your portfolio.

Item 7: Types of Clients

Our clients include individuals, trusts, partnerships, corporations, non-profit organizations, and retirement plans.

Townsend does not require any minimum account size, although we may require a minimum fee, depending on the value of the assets being managed.

Item 8: Methods of Analysis, Investment Strategies & Risk of Loss

A. Analysis & Strategies

a. Methods of Analysis

The firm uses two primary analysis methods:

- i. **Fundamental Analysis** – Reviewing items such as a company’s balance sheet, income statement, financial ratios, etc.
- ii. **Technical Analysis** – Reviewing or charting historical pricing data and using measures such as moving averages, relative strength, consumer confidence, etc. to gauge the condition of a company or the markets.

b. Investment Strategies

Investment strategies Townsend uses include:

- i. **Asset Allocation** – Allocating assets among several different asset classes to reduce risk or take advantage of opportunities. An “asset class” is a way of categorizing investments with similar risk/reward attributes, such as: cash equivalents; short-term bonds; long-term bonds; foreign bonds; small capitalization stocks; large capitalization stocks; foreign stocks; emerging market stocks; etc.
- ii. **Diversification** – Utilizing enough assets to adequately diversify a portfolio. For example: a portfolio of individual securities might contain 15-30 different stocks from a variety of industries.
- iii. **Long Term Purchases** – We normally purchase securities with the expectation of holding them for more than a year, as we are long-term oriented investors.
- iv. **Short Term Purchases** – Occasionally we may purchase securities that we expect to hold less than a year. These are securities that we may not want to be long-term owners of but believe them to be attractively priced at the present time. In addition, even a security purchased for the long-term might be sold if we believe its prospects have changed or that its current price exceeds what we view at its intrinsic value.
- v. **Trading** – We do not normally engage in the short-term trading of securities.
- vi. **Margin Transactions** – We do not normally utilize or recommend purchasing securities on margin.
- vii. **Options** – In limited cases, we may engage in option writing transactions, including covered options, or spreading strategies.

B. Risks

Every method of analysis or investment strategy involves risks. While Townsend considers the risks involved in investing, clients must be prepared to bear risks that are inherent when investing.

- a. **Fundamental analysis** seeks to determine an “intrinsic value” of a security, but securities often trade at values lower or higher than their intrinsic value and can do so for extended periods of time.
- b. **Technical analysis** seeks to determine the future direction of a security, or index, or the market based on historical prices, relationships with other securities or indexes, or various sentiment or behavioral factors – but prior trends or relationships may not continue or could change abruptly due to other factors.
- c. **Diversification** – Allocating assets and diversifying investments among various asset classes, economic sectors, industries, etc. is a way of reducing the risk and volatility of investments. However, while risk may be reduced, it is not eliminated.
- d. **Non-Diversifiable Risks** – There are some risks that are not eliminated by diversification, such as:
 - i. **Market Risk** – Whether you own 10 stocks or 1,000 stocks, you still bear the risk of what is happening in the overall market.
 - ii. **Interest Rate Risk** – As interest rates change, all investments are impacted, especially fixed income investments.
 - iii. **Purchasing Power Risk** – The risks of inflation and deflation affect all investments.
 - iv. **Exchange Rate Risk** – As exchange rates among currencies fluctuate, investments – especially foreign investments – are impacted.
 - v. **Reinvestment Risk** – With varying interest rates, you do not know at what rate you can reinvest the cash flow received from existing investments.
- e. **Investing and Trading** – We do not as a practice engage in the frequent trading of securities, as we believe it can negatively impact investment performance, particularly through increased brokerage and other transaction costs and taxes. We focus on long-term investing, but also recognize the necessity to regularly reevaluate and reconsider all investment holdings.
- f. **General Economic and Market Conditions** – The success of our investments can be adversely affected by general economic and market conditions such as employment rates, interest rates, inflation (or deflation), economic uncertainty, global health conditions and geopolitical circumstances which would include pandemics or disease outbreaks, wars, and terrorist attacks. These conditions can potentially impact investment prices and liquidity of investments. Volatility or lack of liquidity in the investing markets may result in losses.
- g. **Cyber Security Risks and Disaster Recovery Planning** – Cyber security incidents and cyber-attacks have been occurring globally at a more frequent and serious level.

Townsend and its service providers' information and technology systems may be vulnerable to cyber-related threats such as damage or interruption from computer viruses or other malicious code, network and telecommunication failures, infiltration by unauthorized persons and security breaches, usage errors by their respective professionals or service providers, or service outages from environmental events out of Advisor's control. Although we have implemented, and service providers may implement or already have implemented, measures to manage risks relating to these types of events, such systems could prove to be inadequate and, if compromised, could become inoperable for extended periods of time and result in a failure to maintain the security, confidentiality, or privacy of sensitive data, which could include personal information related to clients, if any.

C. **Types of Securities**

Townsend uses a variety of different types of securities, including:

- a. **Mutual Funds** – This includes open-end funds, closed-end funds, unit investment trusts, and exchange-traded funds. Advantages of funds include diversification, ease of access to certain types of assets or strategies, and professional management. Disadvantages include the fees and expenses incurred.
- b. **Individual Stocks and Bonds** – With portfolios comprised of individual stocks and bonds, investors know exactly what they own. However, since these portfolios tend to have fewer underlying holdings than would a mutual fund portfolio, there can be greater risk or volatility.
- c. **Certificates of Deposit** – For short term purposes, we may own certificates of deposit, treasury bills, money market mutual funds or other similar investments.
- d. **Options** – In some situations, we may purchase or sell options on a security or an index, to either generate additional income (e.g., a “covered-call” option) or to reduce the risk of a portfolio (e.g., buying a “put” option). We do not use options to a great extent or for speculative purposes.
- e. **Alternative Investments** – To a limited degree, we may use investments that are sometimes referred to as “alternative investments,” as they are an alternative to normal stocks and bonds. A goal of some alternatives is to have an investment whose returns and volatility are not tied directly to the returns and volatility of the general market. There are many different types of products that are classified as alternatives. Alternatives can involve special risks, such as a lack of liquidity or the risk that other parties in a transaction will not perform as expected.

Item 9: Disciplinary Information

There are no material legal or disciplinary events to report.

Item 10: Other Financial Industry Activities and Affiliations

Townsend Asset Management Corp. is a registered investment advisor. We are not, and have no relation to, any broker/dealer, investment company, other investment advisor, futures commission merchant, commodity pool operator, commodity trading advisory, or any registered representative or associated person with any of the foregoing entities.

As discussed in Item 5 (E), individual employees of our firm may also be licensed and affiliated with various insurance companies and provide insurance or annuity products.

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

A. Code of Ethics

As a registered investment advisor, Townsend has a fiduciary duty to the client, and it is the obligation of our employees to uphold that fundamental duty. We seek to be a firm of integrity that earns your trust and always places your interests first. We desire to maintain an attitude of independence and objectivity in the investment decision-making process. We want to avoid actual or potential conflicts of interest and to treat your personal information with confidentiality. In this regard, we maintain a written Code of Ethics that sets out ideals for ethical conduct premised on the basic principles of openness, integrity, honesty, and trust. Our Code of Ethics addresses topics such as personal securities trading, regulatory compliance, conflicts of interest, insider trading, and confidentiality. A copy of our complete Code of Ethics is available upon request.

B. Material Interest in Securities

We do not currently recommend or buy or sell in any client account securities in which we or a related person have any material financial interest. In the event there was a security that met this criterion but which we felt was appropriate for your account, we would first disclose the financial interest and allow you to make your own determination regarding the security.

C. Investing in Similar Securities

Our firm, its employees or IAR's may invest in the same or similar securities as clients, which we view as a positive thing; however, it does raise potential conflicts of interest. Therefore, the firm requires all employees and IAR's to report their personal securities transactions to the firm each quarter. In addition, if buying or selling at or about the same time, the interests of client

accounts are always placed first.

D. Investing at or About the Same Time

Our firm, its employees or IAR's may also buy or sell the same or similar securities for their own account at or about the same time they are being bought or sold for your account. This raises a potential conflict of interest, as buying or selling a security could impact the price of the security and therefore impact a subsequent buy or sell. Our employees and IARs are aware that they may not trade in a manner that would be adverse or detrimental to client trades. The firm recognizes that the price paid or received by the client for any security should not be affected by a buying or selling interest on the part of an employee, or otherwise result in an inappropriate advantage to the employee. In addition, as mentioned above, we require all employees and IAR's to report their personal securities transactions to the firm each quarter.

Item 12: Brokerage Practices

A. The Custodian and Brokers We Use

Townsend does not maintain custody of the assets managed on behalf of clients; although we may be deemed to have custody when you give us the authority to withdraw assets from your account (see Item 15 – Custody, below). Your assets are always maintained in an account with a “qualified custodian,” which could be a broker/dealer, bank, trust company, mutual fund, or with the custodian of a qualified employer retirement plan. The custodian buys or sells securities when we instruct them to. As an independent investment advisor, we can manage your account, regardless of the custodian you chose. Although we may recommend a particular custodian, it is your decision which firm to use.

We currently utilize more than one custodian, but the custodian recommended by us and used by most of our clients is Charles Schwab & Co., Inc. (Schwab), a registered broker/dealer and member SIPC. Therefore, the remainder of this item will focus primarily on Schwab, although much of the information would apply to any other custodian we might utilize. We are independently owned and operated and are not affiliated with Schwab or any other broker/dealer.

Regardless of the custodian of an account, we may sometimes use other brokers to execute trades for your account as described below (see “*Brokerage and Custody Costs*”).

B. How We Select Brokers/Custodians

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

others:

- a. Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
- b. Capability to execute, clear, and settle trades (buy and sell securities for accounts)
- c. Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- d. Breadth of available investment products (stocks, bonds, mutual funds, exchange-traded funds [ETFs], etc.)
- e. Availability of investment research and tools that assist us in making investment decisions.
- f. Quality of services
- g. Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices.
- h. Reputation, financial strength, and stability
- i. Prior service to us and our other clients
- j. Availability of other products and services that benefit us, as discussed below (see *"Products and Services Available to Us from Schwab"*)

C. **Brokerage and Custody Costs**

Schwab generally does not charge separately for custody services but is compensated by charging commissions or other fees on trades it executes or that settle into client Schwab accounts. Some trades in mutual funds or exchange-traded funds may not incur Schwab commissions or transaction fees, although Schwab may receive fees directly from those funds. Schwab is also compensated by earning interest on the uninvested cash in client brokerage account. In addition, Schwab charges a flat dollar amount as a "prime broker" or "trade away" fee for each trade executed by a different broker-dealer but where the securities bought or the proceeds from the securities sold are deposited (settled) into client Schwab accounts. These fees are in addition to the commissions or other compensation clients pay the executing broker-dealer. Because of this, to minimize trading costs, Townsend normally has Schwab execute most trades in accounts. We have determined that having Schwab execute most trades is consistent with our duty to seek "best execution" of trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above (see *"How We Select Brokers/Custodians"*).

D. **Products and Services Available to Us from Schwab**

Schwab Advisor Services™ is Schwab's business unit serving independent investment advisory firms like us. They provide Townsend and our clients with access to its institutional brokerage—trading, custody, reporting, and related services—many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help Townsend manage or administer our client's accounts; while others help the firm manage and grow our business. Schwab's support services generally are available on an unsolicited basis (Townsend does not have to request them) and at no charge to us. Following is a more detailed description of Schwab's support services:

a. **Services That Benefit You.**

Schwab's institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which Townsend might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab's services described in this paragraph generally benefit the client and client accounts.

b. **Services That May Not Directly Benefit You**

Schwab also makes available to Townsend other products and services that benefit the firm but may not directly benefit the client or client accounts. These products and services assist Townsend in managing and administering our client's accounts. They include investment research, both Schwab's own and that of third parties. We may use this research to service all or a substantial number of our client's accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

- i. Provide access to client account data (such as duplicate trade confirmations and account statements)
- ii. Facilitate trade execution and allocate aggregated trade orders for multiple client accounts.
- iii. Provide pricing and other market data.
- iv. Facilitate payment of our fees from our client's accounts.
- v. Assist with back-office functions, recordkeeping, and client reporting

c. **Services That Generally Benefit Only Us**

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

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

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to Townsend. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide us with other benefits, such as occasional business entertainment of our personnel.

d. **Our Interest in Schwab's Services**

The availability of these services from Schwab benefits the firm because we do not have to produce or purchase them. Townsend does not have to pay for Schwab's services, and they are not contingent upon us committing any specific amount of business to Schwab in trading commissions or assets in custody. Townsend may have an incentive to recommend that clients maintain an account with Schwab, based on our interest in

receiving Schwab's services that benefit our business rather than based on client interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest. We believe, however, that our selection of Schwab as custodian and broker is in the best interests of our clients. Our selection is primarily supported by the scope, quality, and price of Schwab's services (see "*How We Select Brokers/Custodians*") and is not solely for the benefit of Schwab's services to our firm.

Item 13: Review of Accounts

A. Regular Review

Townsend regularly reviews accounts, either monthly or quarterly, depending on the amount and type of assets (mutual funds, stocks, or bonds) held in the account. Reviews are conducted by the advisor (employee or investment advisor representative) responsible for managing the account.

B. Other Reviews

In addition to monthly or quarterly, reviews may be scheduled at any time, such as when:

- a. You request a review or meeting.
- b. If we become aware of something potentially impacting one of your investments.
- c. We are reviewing another client's account that owns one or more of the same securities that you do.
- d. When we are considering selling an investment that is owned by more than one client.
- e. When we are considering buying an investment that we believe is suitable and fits with the objectives of more than one client.
- f. When a significant political, economic, or market-related event occurs.

C. Reports You Receive

Townsend provides regular, written reports in addition to the monthly reports provided by the Custodian. Whenever we meet with you, an interim review or other report is prepared. While not exhaustive, here is a list of the primary reports:

a. Client Investment Review

A quarterly investment review is provided to all investment clients. Reports commonly provided as part of this review include:

- i. Aggregate overview of all accounts
- ii. Asset allocation
- iii. Analysis of return of each holding
- iv. Realized and unrealized gain and loss
- v. Income and expense reports

b. Financial Planning Reports

Periodic reports for financial planning clients include:

- i. Net worth statement

- ii. Tax estimates and projections
- iii. Cash flow and budgeting
- iv. Insurance needs analysis
- v. Retirement funding and withdrawal strategies
- vi. Educational funding
- vii. Estate planning and distribution strategies

Item 14: Client Referrals and Other Compensation

Townsend does not receive any direct economic benefit from anyone with regards to the services we provide our clients, nor do we compensate anyone (other than our employees or investment advisor representatives) for client referrals. However, we do receive an economic benefit from Schwab in the form of the support products and services it makes available to us and other independent investment advisors whose clients maintain their accounts at Schwab. These products and services, how they benefit the firm, and the related conflicts of interest are described above (see *Item 12 – Brokerage Practices*). The availability to us of Schwab's products and services is not based on us giving particular investment advice, such as buying securities for our clients.

Item 15: Custody

Under government regulations, the firm is deemed to have custody of client assets if, for example, the client authorizes us to instruct Schwab or another custodian to deduct our advisory fees directly from your account or grant us authority to transfer your money to another person's account. The custodian always maintains actual custody of assets and clients receive account statements directly from them at least quarterly at the email or postal mailing address provided. Clients should carefully review statements promptly when received and compare the custodian's account statements to any quarterly or periodic reports received from Townsend.

Item 16: Investment Discretion

As discussed under Item 4(E), Townsend can manage accounts on either a "discretionary" or "nondiscretionary" basis, although normally it is on a discretionary basis. Clients may place restrictions on their account (such as, "do not invest in a particular security or type of security" or "limit my exposure in a security or industry to a certain percent") or express preferences (such as, "please include a particular security in my portfolio").

Clients engage our services and grant Townsend discretionary trading authority when the "Engagement Letter" is signed. In addition, when the client establishes an account with Schwab, the Schwab form provides us with a "limited power of attorney," which Schwab recognizes as granting the authority to execute transactions in the client account.

Item 17: Voting Client Securities

Equities (stocks and mutual funds) are required to obtain votes from their shareholders regarding various corporate matters. Votes are cast through a “proxy,” a form indicating how the shareholder wishes their vote to be cast during a meeting.

Examples of matters voted upon include: (a) election of directors; (b) selection of auditors; (c) changes in corporate governance structures or compensation plans; (d) mutual fund share distribution plans, etc.

Clients may vote their own proxies. However, due to a desire to avoid receiving excessive mailings or having to spend the time necessary to understand and act upon their proxies, clients can permit Townsend to vote client’s proxies on their behalf. Clients may indicate their wish for Townsend to vote their proxies when you complete our Engagement Letter and on the account documentation from Schwab or another brokerage firm.

Townsend votes proxies in a manner we believe to be the client’s best interests and with the goal of obtaining the best long-term investment returns. In any solicitation, even if the client has previously asked us to vote their proxies, can contact us and indicate how proxies should be voted.

If we should become aware of any conflict of interest when voting your proxy, we will contact you, inform you of the conflict, and obtain direction from you regarding the voting of your proxy.

We retain a copy of proxies and upon request we can inform you of how we voted on any proxy.

This is a summary of our proxy voting policies and procedures. You can obtain a full copy of these policies upon request.

Item 18: Financial Information

Townsend does not require or solicit prepayment of fees from clients six months or more in advance. Townsend is not aware of any financial condition that is reasonably likely to impair our ability to meet our commitments to you. Townsend has not been the subject of a bankruptcy proceeding.