

COVER PAGE

**WOODMONT INVESTMENT COUNSEL, LLC**

401 Commerce Street, Suite 5400, Nashville TN 37219

Phone: 615-297-6144, 800-278-8003

Fax: 615-297-7048

[www.woodmontcounsel.com](http://www.woodmontcounsel.com)

March 31, 2023

This brochure provides information about the qualifications and business practices of Woodmont Investment Counsel, LLC (“Woodmont”). If you have any questions about the contents of this brochure, please contact us at 800-278-8003. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional information about Woodmont is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Woodmont is an investment advisory firm registered with the SEC under the U.S. Investment Advisers Act of 1940, as amended (the “Advisers Act”). SEC registration does not imply a certain level of skill or training.

## **ITEM 2 MATERIAL CHANGES**

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This brochure dated March 31, 2023, replaces the version dated March 30, 2022, the date of our last annual amendment.

You will receive a copy of this brochure or a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. We may provide other ongoing disclosure information about material changes, as necessary. We will further provide you with a new brochure, as needed at any time, based on changes or new information, without charge.

The following material changes were made since our last annual amendment dated March 30, 2020:

### Item 4

- Updated Principal Owners
- Updated Assets Under Management as of December 31, 2022.

### Item 7

- Updated account minimum

**ITEM 3**            **TABLE OF CONTENTS**

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#### **ITEM 4           ADVISORY BUSINESS**

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Woodmont is a registered investment adviser with its principal place of business located in Tennessee. Woodmont began conducting business as a registered investment adviser in 2000.

The principal owners of Woodmont Investment Counsel, LLC are SSC WIC Holdings, LLC, Stephen Frohsin, who is a principal, Chief Compliance Officer, and portfolio manager and Will Ed Settle, who is a principal and portfolio manager.

We provide discretionary investment management and counsel on a fee-basis only. As fiduciaries on behalf of our clients, we determine and implement investment transactions in accordance with our understanding of each client's financial circumstances and investment goals.

Client portfolios are typically balanced among equity, fixed-income and cash equivalent securities. In discretionary relationships, clients may establish restrictions on our management of their investments and we also provide non-discretionary investment management services under which we give investment advice to the client with the client responsible for acceptance and implementation of the advice.

Before we execute the first transactions for clients, we acquire a thorough understanding of their financial circumstances and investment goals. This includes the family's estate, business, tax and retirement planning, insurance needs and related matters. If we see gaps that should be addressed, we work with the client's legal, accounting and other advisers or we make referrals to those who have the necessary expertise.

After we are familiar with our clients' circumstances and goals and their ability and willingness to assume risk, we present an investment strategy and asset allocation plan tailored to their specific situation. We establish the appropriate stock/bond ratio. Within the equity component, we set diversification guidelines among various sectors including large-, mid- and small-capitalization, growth, value, and international.

For most clients, we are the sole manager. If a client has other investment managers, we may adjust allocations in the Woodmont portfolio accordingly. If the client has more than one account (for example, a personal trust, an IRA and a family foundation), we establish separate investment strategies for each as appropriate.

After the client approves our investment strategy, we build the portfolio using individual stocks and bonds, exchange traded funds (ETFs), no-load mutual funds and, where appropriate, alternative investments including REITs, commodities, and private equity and other limited partnerships.

As our responsibilities to our clients require, we are familiar with general legal, tax, estate planning and accounting matters. We hope to be helpful to clients in these areas but we are not qualified to offer professional advice and clients should not assume we are providing such services at any time. Woodmont is not a trust or banking institution and we do not provide trust services, but we can recommend trust services to clients who need them.

## **Assets Under Management**

As of December 31, 2022, Woodmont had a total of \$1,247,837,157 Assets Under Management, \$1,198,675,449 of which was in discretionary assets and \$49,161,708 of which was in non-discretionary assets.

## **ITEM 5 FEES AND COMPENSATION**

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We are compensated for investment advisory services by charging a management fee based on the market value of assets under our management.

Our fee schedule for equity or balanced portfolios in which equities consist primarily of individual stocks and ETF's will be equal to an annual management fee ranging from 0.35% to 1.0% of the market value of the account. Our fee schedule for fixed-income portfolios consisting of solely fixed income securities will be equal to an annual management fee ranging from 0.20% to 0.40% of the market value of the account.

Fees are charged at the inception and then billed quarterly in advance based upon the market value of the assets at the end of the preceding quarter, except for certain manually priced securities which may be valued on a more infrequent basis. In which case a valuation earlier than the last day of the previous billing quarter may be used for fee billing purposes. If your relationship begins or ends during a calendar quarter, your fee will be prorated for the appropriate number of days completed or remaining in the quarter and, where applicable, you will be issued a refund for the portion of your quarterly fee paid in advance which was unearned. You may terminate your Woodmont relationship at any time upon 30 days' notice.

We may negotiate fees depending upon circumstances including but not limited to account composition and complexity as well as family relationships and other expenses we know the client is incurring (such as trustee fees). This may result in different fees for client accounts similar in composition and objectives.

You can pay your fee directly upon receipt of our invoice or you may authorize your custodian to allow Woodmont to directly debit your account. (In either case, we send a quarterly fee statement as well as an annual fee summary.) If you choose the latter method, your custodian will not confirm our fee. Your statements from your custodian will include the amount of the fee sent to us. You should confirm the accuracy of our fee calculation upon receipt of your custodian's statement.

The fees you pay Woodmont do not include brokerage commissions or other charges associated with securities transactions implemented with or through a brokerage firm, mark-ups or mark-downs in principal transactions, deferred sales charges, odd-lot differentials, stock exchange fees, wire transfer or related processing fees, transfer taxes or other charges mandated by law or regulation all of which will be charged to you in addition to our fee. We receive no portion of these expenses or fees and we have a mutual interest in eliminating or minimizing these charges.

You should go to the section on Brokerage Practices in our brochure for more information on how we recommend brokerage firms for your securities transactions and information related to that process.

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**ITEM 6 PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

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Woodmont does not charge or accept performance-based fees or engage in Side-by-Side Management.

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**ITEM 7 TYPES OF CLIENTS**

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Woodmont clients include individuals, trusts, estates, charitable organizations, retirement plans, and corporations and similar business organizations. Generally, our minimum account size for equity, balanced, and fixed-income accounts is \$2,000,000 although this may be waived based on other considerations such as the account's relationship to established clients or other factors.

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**ITEM 8 METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

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In analyzing securities, we utilize research from both publicly available and private sources but all investment decisions on behalf of our clients are our own.

We believe in broad diversification among stocks and bonds, exchange traded funds (ETFs), no-load mutual funds and, where appropriate, alternative investments including REITs, commodities, hedge funds and limited partnerships, minimizing investment expenses and controlling taxes for taxable accounts. Our strategy and asset allocation for each client is based on each client's circumstances and goals. Our understanding of a client's financial situation typically includes their estate planning and insurance needs, as well as retirement expectations.

The risk of loss varies with the risk profile and asset allocation of each portfolio but can be substantial for more aggressive portfolios. Cash equivalents present little or no risk of loss of principal but offer no protection from the erosive impact of inflation. Fixed-income securities generally provide a reliable income stream, but their fixed value will be eroded by inflation and they offer little or no likelihood of capital appreciation. Equity securities in general offer both more risk and greater potential for meaningful long-term capital appreciation.

Risk of Loss

Woodmont's strategies are subject to investment risks: investors may lose some or all of their investment. There can be no assurance that any of Woodmont's strategies will be successful in meeting its respective investment objective. Generally, Woodmont's strategies will be subject to the following risks:

*Dividend Yield Risk:* While a portfolio may hold securities of companies that have historically paid a dividend, those companies may reduce or discontinue their dividends, thus reducing the yield of the company's securities. Lower-priced securities in a portfolio may be more susceptible to these risks. Past dividend payments are not a guarantee of future dividend payments. Also, the

market return of high dividend yield securities, in certain market conditions, may be worse than the market return of other investment strategies or the overall stock market.

*Emerging Markets Risk:* Investments in emerging markets, which include Africa, Asia, the Middle East and Central and South America, are subject to the risk of abrupt and severe price declines. The economic and political structures of developing countries, in most cases, do not compare favorably with the U.S. and other developed countries in terms of wealth and stability, and financial markets in developing countries are not as liquid as markets in developed countries. The economies in emerging market countries are less developed and can be overly reliant on particular industries and more vulnerable to the ebb and flow of international trade, trade barriers, and other protectionist measures. Certain countries may have legacies or periodic episodes of hyperinflation and currency devaluations or instability and upheaval that could cause their governments to act in a detrimental or hostile manner toward private enterprise or foreign investment. Significant risks of war and terrorism currently affect some emerging market countries.

*ETF NAV and Market Price:* The market value of an ETF's shares may differ from its net asset value ("NAV"). This difference in price may be due to the fact that the supply and demand in the market for ETF shares at any point in time is not always identical to the supply and demand in the market for the underlying basket of securities. Accordingly, there may be times when an ETF trades at a premium (creating the risk that a portfolio pays more than NAV for an ETF when making a purchase) or discount (creating the risks that the portfolio's value is reduced for undervalued ETFs it holds and that the portfolio receives less than NAV when selling an ETF).

*ETF Tracking Risk:* Index-based ETFs in which Woodmont-managed portfolios may invest may not be able to replicate exactly the performance of the indices they track because the total return generated by the securities will be reduced by transaction costs incurred in adjusting the actual balance of the securities. In addition, these ETFs may incur expenses not incurred by their applicable indices.

*Equity Securities Risk:* The value of equity securities may decline due to general market conditions which are not specifically related to a particular company and are generally beyond Woodmont's control, including fluctuations in interest rates, the quality of Woodmont's investments, economic conditions, corporate earnings, adverse investor sentiment and general equity market conditions. In a declining stock market, stock prices for all companies (including those in a Woodmont portfolio) may decline, regardless of their long-term prospects.

*Fixed Income Risk:* Woodmont may purchase fixed income investments of any maturity and credit quality. There are risks associated with fixed income investments, which include interest rate risk, maturity risk and credit risk. These risks could negatively affect the value of investments of Woodmont's portfolios.

- Credit Risk. The value of a portfolio's fixed income investments is dependent on the creditworthiness of the issuer. A deterioration in the financial condition of an issuer or a

deterioration in general economic conditions could cause an issuer to fail to pay principal and interest when due.

- Interest Rate Risk. The value of a portfolio's fixed income investments will generally vary inversely with the direction of prevailing interest rate movements. Generally, when interest rates rise, the value of a portfolio's fixed income investments can be expected to decline.
- Junk Bonds or High Yield Securities Risk. High yield securities and unrated securities of similar credit quality are considered to be speculative with respect to the issuer's continuing ability to make principal and interest payments and are generally subject to greater levels of credit quality risk than investment grade securities. High yield securities are usually issued by companies without long track records of sales and earnings, or by companies with questionable credit strength. These fixed income securities are considered below "investment-grade". The retail secondary market for these "junk bonds" may be less liquid than that of higher-rated fixed income securities, and adverse conditions could make it difficult at times to sell certain securities or could result in lower prices than those used in calculating the Fund's net asset value. These risks can reduce the value of the Fund's shares and the income it earns.
- Liquidity Risk. Liquidity risk is the risk that a fixed income security may be difficult to sell at an advantageous time or price due to limited market demand (resulting from a downgrade, a decline in price, or adverse conditions within the fixed income market).
- Maturity Risk. The value of a portfolio's fixed income investments is also dependent on their maturity. Generally, the longer the maturity of a fixed income security, the greater its sensitivity to changes in interest rates.
- Mortgage-Related Securities Risk. Mortgage-related and other asset backed securities may be particularly sensitive to changes in prevailing interest rates and early repayment on such securities may expose the Fund to a lower rate of return upon reinvestment of principal.
- Prepayment Risk. The debtor on any fixed income obligation may pay its obligation early, reducing the amount of interest payments.
- U.S. Government Securities Risk. Government securities held by a portfolio may not be backed by the "full faith and credit" of the U.S. Government and may be supported only by the credit of the issuer. The guarantee of the U.S. Government does not extend to the yield or value of the U.S. Government securities held by a portfolio.

*Foreign Securities Risk*: Investing in securities issued by companies whose principal business activities are outside the United States may involve significant risks not present in domestic



investments. For example, there is generally less publicly available information about foreign companies, particularly those not subject to the disclosure and reporting requirements of U.S. securities laws. Foreign issuers are generally not bound by uniform accounting, auditing, and financial reporting requirements and standards of practice comparable to those applicable to domestic issuers. Investments in foreign securities also involve the risk of possible adverse changes in investment or exchange control regulations or currency exchange rates, expropriation or confiscatory taxation, limitation on the removal of cash or other assets, political or financial instability, or diplomatic and other developments which could affect such investments. Further, economies of particular countries or areas of the world may differ favorably or unfavorably from the economy of the United States. Foreign securities often trade with less frequency and volume on their respective exchanges than domestic securities and therefore may exhibit greater price volatility than domestic investments. ADRs and ETFs investing in foreign securities are subject to risks similar to those associated with direct investments in foreign securities.

*Growth Investing Risk:* A portfolio may invest in companies that appear to be growth-oriented. Growth companies are those that Woodmont believes will have revenue and earnings that grow faster than the economy as a whole, offering above-average prospects for capital appreciation and little or no emphasis on dividend income. If Woodmont's perceptions of a company's growth potential are wrong, the securities purchased may not perform as expected, reducing a portfolio's return.

*Inflation/Deflation Risk:* Inflation may cause the present value of future payments to decrease, causing a decline in the future value of assets or income. Deflation causes prices to decline throughout the economy over time, impacting issuers' creditworthiness and increasing their risk for default, which may reduce the value of the portfolio.

*Large Capitalization Companies Risk:* Large capitalization companies (i.e., companies with more than \$5 billion in capitalization) may be unable to respond quickly to new competitive challenges, such as changes in technology and consumer tastes and may not be able to attain the high growth rate of successful smaller companies especially during extended periods of economic expansion.

*Management Style Risk:* A portfolio's performance is based on the performance of the securities in which it invests. The ability of the portfolio to meet its objective is directly related to the ability of Woodmont's allocation model to accurately measure market risk and appropriately react to current and developing market trends. There is no guarantee that Woodmont's judgments about the attractiveness, value, and potential appreciation of particular investments in which the portfolio invests will be correct or produce the desired results. If Woodmont fails to accurately evaluate market risk or assess market conditions, the portfolio's value may be adversely affected.

*Market Risk:* Market risk is the risk that the value of securities in a portfolio may decline due to daily fluctuations in the securities markets that are generally beyond Woodmont's control. In a declining stock market, stock prices for all companies may decline, regardless of their long-term prospects.

*Model Delivery Risk.* The timeliness and the ability of other registered investment advisers to execute trades in response to changes in a model portfolio, non-discretionary investment recommendations, research, or trading signals provided by Woodmont may subject participant account trades to follow the execution of Woodmont's discretionary trades. Participant accounts may therefore be disadvantaged as a result of different execution prices.

*Money Market Mutual Funds:* Although a money market fund generally seeks to maintain the value of an investment at \$1.00 per share, there is no assurance that it will be able to do so, and it is possible to lose money by investing in a money market fund. A portfolio will incur additional indirect expenses due to acquired fund fees and other costs to the extent it invests in shares of money market mutual funds. When a portfolio invests in money market funds and other Cash Positions, the portfolio may not participate in stock market advances to the same extent it would had it remained more fully invested in Woodmont Investments.

*Portfolio Turnover:* As a result of its trading strategies, Woodmont may sell portfolio securities without regard to the length of time they have been held and some of Woodmont's portfolios will likely have higher portfolio turnover than other investment options. Because portfolio turnover may involve paying brokerage commissions and other transaction costs, higher turnover generally results in additional portfolio expenses. High rates of portfolio turnover could lower performance of Woodmont's portfolios due to these increased costs and may also result in the realization of short-term capital gains. High rates of portfolio turnover in a given year in non-qualified accounts would likely result in short-term capital gains that are taxed at ordinary income tax rates.

*Sector Risk:* Sector risk is the possibility that securities within the same group of industries will decline in price due to sector-specific market or economic developments. If a portfolio invests more heavily in a particular sector, the value of its shares may be sensitive to factors and economic risks that specifically affect that sector. As a result, a portfolio's share price may fluctuate more widely than the value of shares of a mutual fund that invests in a broader range of industries. Additionally, some sectors could be subject to greater government regulation than other sectors, which may impact the share price of companies in these sectors. The sectors in which any portfolio may invest in more heavily will vary.

*Small and Medium Capitalization Companies Risk:* A portfolio may, at any given time, invest a significant portion of its assets in securities of small capitalization companies (i.e., companies with less than \$1 billion in capitalization) and/or medium capitalization companies (i.e., companies with between \$1 billion and \$5 billion in capitalization). Investing in the securities of small and medium capitalization companies generally involves greater risk than investing in larger, more established companies. The securities of small and medium companies usually have more limited marketability and therefore may be more volatile and less liquid than securities of larger, more established companies or the market averages in general. Because small and medium capitalization companies normally have fewer shares outstanding than larger companies, it may be more difficult to buy or sell significant amounts of such shares without an unfavorable impact on prevailing prices. Small and medium capitalization companies often have limited product lines, markets, or financial resources and lack management depth, making them more susceptible to

market pressures. Small and medium capitalization companies are typically subject to greater changes in earnings and business prospects than larger, more established companies. The foregoing risks are generally increased for small capitalization companies as compared to companies with larger capitalizations.

*Value Investing Risk:* Value investing attempts to identify companies selling at a discount to their intrinsic value (i.e., what a company is “really” worth, as determined by analyzing business, financial, and other factors about the company and its market). Value investing is subject to the risk that a company’s intrinsic value may never be fully realized by the market or that a company judged by Woodmont to be undervalued may not be undervalued.

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**ITEM 9                    DISCIPLINARY HISTORY**

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Registered investment advisors are required to disclose all material facts regarding any legal or disciplinary events that would be material to the evaluation of us or the integrity of our management. We have no legal or disciplinary events to report.

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**ITEM 10                    OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

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Woodmont is affiliated with, and minority owner of, Jefferson Bridge Capital, LLC. Jefferson Bridge is an investment adviser that invests funds on behalf of institutions, endowments, and individuals. Woodmont will not refer clients to Jefferson Bridge as part of our business and does not receive any compensation for referrals. Woodmont does receive compensation due to its equity ownership of Jefferson Bridge, and would receive compensation or profits in the event that Jefferson Bridge were sold.

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**ITEM 11                    CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

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Woodmont has adopted a written Code of Ethics under which our employees are generally restricted from security transactions in their personal accounts without approval by our chief compliance officer or his designee in order to avoid conflicts of interest with transactions in client accounts.

Our employees may buy or sell the same securities we recommend that our clients invest in or that we purchase or sell on our clients’ behalf. This presents a conflict of interest between our employee’s own financial interest and the best interests of our clients. We have addressed this conflict of interest by imposing trading restrictions under the Code of Ethics described above in this section.

We prohibit employees from buying or selling individual securities in their personal accounts at the same time or on the same day as the same securities are being recommended to, or bought and/or sold for, our clients, absent approval as described in the Code of Ethics. There are certain exceptions from this restriction for transactions which we believe do not present a conflict of interest between our employees and our clients such as where the employee(s) receive the same averaged price and incur the same proportional transaction costs as our clients.

Pre-approval must also be obtained by employees before investing in initial public offerings of securities and before investing in a private placement of securities. All employees are required to submit quarterly reports relating to their personal transactions and an annual report of their personal securities holdings to us. Our Code of Ethics also contains policies and procedures which are intended to prevent the misuse of material non-public information. A copy of our Code of Ethics is available to you upon request by contacting us through the contact information provided on the Cover Page of this brochure.

## **ITEM 12            BROKERAGE PRACTICES**

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*Best Execution and Benefits of Brokerage Selection:* Woodmont considers the following factors in selecting or recommending brokerage firms for our clients' transactions and in determining the reasonableness of the compensation or other remuneration paid to the brokerage firms:

- Trade Implementation
- Costs
- Quality of Support Services and Technology Provided
- Value of Research and Related Information Provided
- Market Liquidity Provided
- Trade Execution Breadth
- Financial Stability
- Ability to Execute Difficult Trades

We periodically review our brokerage practices and the reasonableness of compensation or other remuneration paid to brokerage firms and monitor our efforts to seek best execution of client transactions.

With the exception of Prime Brokerage transactions explained below, Woodmont clients select the broker or bank custodian that holds their cash and securities and through whom we execute transactions. We can work with any reputable brokerage firm or bank but prefer to utilize a discount brokerage firm like Charles Schwab & Co., Inc. ("Schwab," a FINRA-registered broker-dealer, member SIPC). Woodmont is independently owned and operated and not affiliated with Schwab.

Schwab provides us with access to its institutional trading and custody services which are typically not available to Schwab retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the advisor's clients' assets are maintained in accounts at Schwab Institutional and are not otherwise contingent upon our committing to Schwab any specific amount of business such as assets in custody or trading commission. These services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For our client accounts maintained in its custody, Schwab generally does not charge separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Schwab or that settle into Schwab accounts maintained by our clients.

Schwab Institutional also makes available to us other products and services that benefit us but may not directly benefit its clients' accounts. Many of these products and services may be used to service all or a substantial number of our accounts, including accounts not maintained at Schwab.

Schwab's products and services that assist us in managing and administering clients' accounts include software and other technology that (i) provide access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing and other market data; (iv) facilitate payment of our fees from its clients' accounts; and (v) assist with back-office functions, recordkeeping and client reporting.

Schwab Institutional also offers other services that may include: (i) compliance, legal and business consulting; (ii) publications and conferences on practice management and business succession; and (iii) access to employee benefits providers, human capital consultants and insurance providers. Schwab may make available, arrange and/or pay third-party vendors for the types of services rendered to us. Schwab Institutional may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to us. Schwab Institutional may also provide other benefits to our employees such as educational events or occasional business entertainment.

In evaluating whether to recommend or require that our clients custody their assets at Schwab, we may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors we consider and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a conflict of interest since our recommendation that our clients maintain accounts at Schwab may be based in part on the availability to Woodmont of all or some of the products or services described above.

*Directed Brokerage:* We routinely recommend, request or require that our clients instruct us to execute transactions through a brokerage firm which may be specified by us such as Schwab. Not all investment advisory firms such as us require their clients to do this. The brokerage firm(s) we specify may provide us with economic benefits. This creates a conflict of interest on our part by recommending, requesting or requiring that you execute transactions through the brokerage firm. We will also execute transactions through a particular brokerage firm as a result of your decision to direct us to execute transactions through the particular brokerage firm. Either way, we may be unable to achieve the best execution of your transactions which means that the execution costs you pay may be higher than could otherwise be achieved since you will be responsible for negotiating the commission rates you pay, not us.

You should be aware that our inability to negotiate commissions, obtain volume discounts means that transactions in accounts directed by you to a particular brokerage firm may result in higher commissions, greater spreads or less favorable net prices than would otherwise be the case. Therefore, disparities in commission charges for similar transactions in accounts in different clients of ours may exist and that there is a conflict of interest arising from such directed brokerage practices. We address this conflict of interest through use of our commission allocation process where we review the reasonableness of commission rates used to obtain brokerage and research services and products described above.

You should be aware that transactions for accounts which we have been instructed by you, or by the brokerage firm in the event of a wrap fee arrangement, to direct to a specified brokerage firm may be placed subsequent to transactions we enter for client accounts such as Schwab where we have specified the brokerage firm through which you direct us to execute transactions for you. This may result in less favorable execution for those accounts where we have not specified the brokerage firm through which you direct us to execute transactions.

*Blocked Transactions and Prime Brokerage:* We may group or block orders from time to time for the same security for more than one client account in order to more effectively execute the orders. This is known as a “block transaction”. This process can create trading efficiencies, prompt attention to the order and improved price execution because the block transaction may be executed at various prices but averaged as to price. Therefore, clients whose transactions are part of the block transaction will receive the same average price and trading costs. Personal transactions of our employees may be included in such block transactions.

Where such block transactions are not fully executed, we will seek to allocate the executed portion of the block transaction on a basis which we consider fair to our clients over time. Generally, this will mean a pro-rata allocation or allocation on a rotational basis although we may, in certain circumstances, allocate purchases or sales on some other basis, after consideration of factors such as the taxability of the account, cash available for investment, asset mix of the account, objectives and restrictions of the account, company and industry concentrations, broker designations specified by the client, size of execution versus the total order size, and partial positions versus full positions. Any employee transactions will be excluded from block transactions which are not fully executed.

When we trade away from the custodian that holds the client’s securities in order to obtain better execution, this is a Prime Brokerage trade. Typically, the custodian broker charges a fee (at Schwab, the fee is \$15) but we utilize Prime Brokerage only when we believe the savings to our clients will exceed the Prime Brokerage fee, often by a substantial amount.

*Cross Transactions:* Generally, we do not buy or sell securities from one client account managed by us to another client account managed by us, referred to as a “cross transaction” although we may, from time to time, make an exception but will do so only when we have a reasonable belief that best execution can be achieved for all clients involved in the transaction and subject to all requirements for these transactions. We receive no fees or commission from these transactions.

*Trade Errors:* Errors in executing client transactions may occur from time to time which we will seek to correct on a timely basis so that you will not incur a loss or other costs as a result of any such errors. Any loss or costs incurred as a result of the correction of such errors will be borne by us or by your broker/custodian while any market gains resulting from the correction of such errors will usually be retained by your broker/custodian or by you.

Clients who maintain custody of their securities at Schwab will not be charged separately for custody, but Schwab will receive compensation from our clients in the form of commissions or through transaction-related compensation on securities transactions executed through Schwab. Schwab also will receive a fee for clearance and settlement of transactions executed through brokerage firms other than Schwab. Schwab's fees for transactions executed at other brokerage firms are in addition to the other brokerage firm's fee. Thus, we will have an incentive to cause transactions to be executed through Schwab rather than through another brokerage firm although we understand we have a duty to seek best execution of our clients' transactions.

Transactions for accounts maintained at Schwab may be executed through a different brokerage firm than trades for our other clients so transactions in accounts maintained in custody at Schwab may be executed at different times and different prices than transactions in client accounts that are executed at other brokerage firms.

#### **ITEM 13            REVIEW OF ACCOUNTS**

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Client portfolios are reviewed regularly on the basis of the client's investment objectives and our investment strategies by either the individual portfolio manager with primary responsibility for the account or our investment team. Securities holdings are monitored frequently, through software applications and other means which enables us to regularly evaluate positions across all client accounts. Factors which may trigger more frequent reviews include changes in client investment objectives or circumstances such as retirement or a large contribution or withdrawal to or from an account, significant developments or events specific to a particular security held in the account, or significant market, economic or political developments.

We provide reports concerning your account(s) with us on at least a quarterly basis. These reports include details of the date of purchase and cost basis for each security as well as market value and income yield and the current and historical account performance for the account, separated by asset classes and possibly grouped with other accounts related to you. The report you receive from us will track all activity including income earned, contributions, withdrawals and capital gains. This report will also include an invoice for our quarterly fee. If you are involved in a wrap fee arrangement as described in the section on Advisory Business, you may receive reports including those assets of yours for which we are providing services directly from the brokerage firm which created the wrap fee arrangement. You should also receive written reports directly from your custodian concerning your account(s) which generally contains information relating to all transactions and other account activity.

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

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We may from time to time enter into written agreements with other persons or companies who refer potential clients to us in exchange for a referral fee which typically is a percentage of the fee we receive from the referred client for our services. This means that the persons or companies who refer potential clients to us as described will have a financial interest in your selecting us to provide you services. If you are referred to us through an arrangement like this, you will receive a written document which will disclose that we have an arrangement with the promoter, any affiliation between us and the promoter, and a description of the compensation the promoter will receive from us if you establish an account with us. The fee we charge you for our services will not be increased as a result of our use of these referral arrangements.

Please refer to the section on Brokerage Practices in our brochure for information on other economic benefits we may receive for providing services to you.

#### **ITEM 15            CUSTODY**

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In addition to any account statements you may receive from us, you will receive account statements directly from your custodian on at least a quarterly basis although you may receive them on a monthly basis. You should carefully review these statements and compare these statements to statements you receive from us for any discrepancies. You should also remember that the statements you receive from your custodian are your official record of your accounts and assets for tax purposes.

#### **ITEM 16            INVESTMENT DISCRETION**

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We will accept discretionary investment authority over your assets if you agree to such an arrangement. This is typically accomplished through execution of a limited trading authority or similar written authority contained in your client agreement with us or through similar authority contained in a wrap fee arrangement you may execute with the brokerage firm which established the wrap fee arrangement.

When executing your client agreement with us, you can limit the extent of discretionary investment authority to be granted to us although this may impact the level of services we can provide you. You may also place restrictions on our authority such as instructions not to make investments in certain industries or to not sell certain investments you may have due to possible adverse tax consequences to you.

#### **ITEM 17            VOTING CLIENT SECURITIES**

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We will not vote proxies or render any advice on proxies solicited by or with respect to certain investments in your account except as otherwise required by the particular account in which case our voting policy is to vote with the management recommendations of the particular company. We maintain any required records. We will not take any action or render any advice on



investments in your accounts which become subject to class actions or relation litigation although we may provide you limited assistance upon request on an informal basis. We will not forward you any proxy or litigation materials we receive inadvertently, electronically or otherwise, but you should contact your custodian directly and instruct it to make arrangements for your proxy or litigation materials to be forwarded directly to you or your representative.

**ITEM 18            FINANCIAL INFORMATION**

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We do not require or solicit prepayment of fees from clients six months or more in advance. We have no financial matters to disclose, and we have never been the subject of any bankruptcy proceeding.