

Grimes & Company, Inc.

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Brochure

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This brochure provides information about the qualifications and business practices of Grimes & Company, Inc. (“Grimes”). If you have any questions about the contents of this brochure, please contact us at (508) 366-3883 or mdavide@grimesco.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 Grimes & Company, Inc. is also available on the SEC’s website at www.adviserinfo.sec.gov.

References herein to Grimes & Company, Inc. as a “registered investment adviser” or any reference to being “registered” does not imply a certain level of skill or training.

Item 2 Material Changes

Since the most recent Annual Amendment filing, dated February 28, 2022, there have been no material changes.

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Item 4 **Advisory Business**

- A. Grimes & Company, Inc. (“Grimes”) is a corporation formed on October 20, 1999, in the Commonwealth of Massachusetts. Grimes became registered as an Investment Adviser Firm in January 2000. Grimes is principally owned by Kevin T. Grimes, Timothy J. Grimes, and the Timothy J. Grimes Dynasty Trust. Timothy J. Grimes and Kevin T. Grimes are Grimes’ Principals.
- B. As discussed below, Grimes offers to its clients (individuals, business entities, trusts, pension and profit-sharing plans, estates and charitable organizations, and state or municipal government entities.) investment advisory services. Although Grimes does not hold itself out as providing financial planning and related consulting services, it may provide limited planning and related consulting services ancillary to the investment management process to the extent specifically requested by the client (See discussion below).

INVESTMENT ADVISORY SERVICES

Grimes works with each client to develop a customized investment strategy in an effort to satisfy the unique needs of each individual, family, or institution that they serve. Proprietary research and portfolio management systems are deployed to develop investment policy, implement portfolios and manage allocations and exposures.

MISCELLANEOUS

Limited Consulting/Implementation Services. To the extent specifically requested, Grimes may provide financial planning and related consulting services to its investment management clients on matters such as estate planning, tax planning, insurance, etc. Grimes shall generally not receive any separate or additional fee for any such consultation services. Neither Grimes, nor any of its representatives, serves as an attorney, or accountant and no portion of Grimes’ services should be construed as same. Accordingly, Grimes does not prepare estate planning or any other type of legal documents or tax returns. To the extent requested by a client, Grimes may recommend the services of other professionals for certain non- investment implementation purposes (i.e., attorneys, accountants, insurance agents, etc.), including representatives of Grimes in their separate registered/licensed capacities as discussed below at Items 5 and 10. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from Grimes.

Grimes, unless otherwise agreed, does not provide on-going monitoring of its financial planning services. Therefore, it remains the client’s responsibility to promptly notify Grimes if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising Grimes’ previous recommendations and/or services.

Private Investment Funds. Grimes continues to provide investment advice regarding unaffiliated private investment funds previously purchased by its clients. Grimes does not recommend private investment funds to its clients. The amount of assets invested in the fund(s) shall be included as part of “assets under management” for purposes of Grimes calculating its investment advisory fee.

Risk: Private investment funds generally involve various risk factors, including, but not

limited to, potential for complete loss of principal, liquidity constraints and lack of transparency, a complete discussion of which is set forth in each fund's offering documents, which will be provided to each client for review and consideration. Unlike liquid investments that a client may maintain, private investment funds do not provide daily liquidity or pricing. Each prospective client investor will be required to complete a Subscription Agreement, pursuant to which the client shall establish that he/she is qualified for investment in the fund, and acknowledges and accepts the various risk factors that are associated with such an investment.

Valuation: In the event that Grimes references private investment funds owned by the client on any supplemental account reports prepared by Grimes, the value(s) for all private investment funds owned by the client shall reflect the most recent valuation provided by the fund sponsor. If no subsequent valuation post-purchase is provided by the Fund Sponsor, then the valuation shall reflect the initial purchase price (and/or a value as of a previous date), or the current value(s) (either the initial purchase price and/or the most recent valuation provided by the fund sponsor). If the valuation reflects the initial purchase price (and/or a value as of a previous date), the current value(s) (to the extent ascertainable) could be significantly more or less than the original purchase price. The client's advisory fee shall be based upon reflected fund value(s).

Use of Mutual and Exchange Traded Funds: Grimes utilizes mutual funds and exchange traded funds for its client portfolios. In addition to Grimes' investment advisory fee described below, and transaction and/or custodial fees discussed below, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses).

Retirement Rollovers-Potential for Conflict of Interest: A client or prospective client leaving an employer typically 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 Grimes recommends that a client roll over their retirement plan assets into an account to be managed by Grimes, such a recommendation creates a conflict of interest if Grimes will earn new (or increase its current) compensation as a result of the rollover. If Grimes provides a recommendation as to whether a client should engage in a rollover or not (whether it is from an employer's plan or an existing IRA), Grimes is acting as a fiduciary 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. No client is under any obligation to roll over retirement plan assets to an account managed by Grimes, whether it is from an employer's plan or an existing IRA.

ERISA PLAN and 401(k) INDIVIDUAL ENGAGEMENTS:

- **Trustee Directed Plans.** Grimes may be engaged to provide investment advisory services to ERISA retirement plans, whereby Grimes shall manage Plan assets consistent with the investment objective designated by the Plan trustees. In such engagements, Grimes will serve as an investment fiduciary as that term is defined under The Employee Retirement Income Security Act of 1974 ("ERISA"). Grimes will generally provide services on an "assets under management" fee basis per the terms and conditions of an *Investment*

Advisory Agreement between the Plan and Grimes.

- **Participant Directed Retirement Plans.** Grimes may also provide investment advisory and consulting services to participant directed retirement plans per the terms and conditions of a *Retirement Plan Services Agreement* between Grimes and the Plan. For such engagements, Grimes shall assist the Plan sponsor with the selection of an investment platform from which Plan participants shall make their respective investment choices (which may include investment strategies devised and managed by Grimes), and, to the extent engaged to do so, may also provide corresponding education to assist the participants with their decision making process.
- **Client Retirement Plan Assets.** If requested to do so, Grimes shall provide investment advisory services relative to the client's 401(k) plan assets. In such event, Grimes shall recommend that the client allocate the retirement account assets among the investment options available on the 401(k) platform. Grimes shall be limited to making recommendations regarding the allocation of the assets among the investment alternatives available through the plan. Grimes will not receive any communications from the plan sponsor or custodian, and it shall remain the client's exclusive obligation to notify Grimes of any changes in investment alternatives, restrictions, etc. pertaining to the retirement account. Unless expressly indicated by Grimes to the contrary, in writing, the client's 401(k) plan assets shall be included as assets under management for purposes of Grimes calculating its advisory fee. Grimes does not maintain client passwords to make account changes.

OTHER:

Portfolio Activity. Grimes has a fiduciary duty to provide services consistent with the client's best interest. Grimes will review client portfolios on an ongoing basis to determine if any changes are necessary based upon various factors, including, but not limited to, investment performance, market conditions, fund manager tenure, style drift, account additions/withdrawals, and/or a change in the client's investment objective. Based upon these factors, there may be extended periods of time when Grimes determines that changes to a client's portfolio are neither necessary, nor prudent. Clients remain subject to the fees described in Item 5 below during periods of account inactivity.

Tradeaway / Prime Broker Fees. If, in the reasonable determination of Grimes, it would be beneficial for certain client accounts, individual fixed income transactions may be effected through broker-dealers other than the account custodian, in which event, the client generally will incur both the fee (commission, mark-up/mark-down) charged by the executing broker-dealer and separate "tradeaway" and/or prime broker fee charged by the account custodian (i.e., Schwab, Fidelity, etc.). Specifically, for smaller, non-platform accounts, Grimes may use the fixed income analysis, support and execution services provided by SP Financial Group of Arkadios Capital.

Sub-Advisory Engagements. Grimes may also serve as a sub-adviser to unaffiliated registered investment advisers per the terms and conditions of a written Sub-Advisory Agreement. With respect to its sub-advisory services, the unaffiliated investment advisers that engage Grimes' sub-advisory services maintain both the initial and ongoing day-to-day relationship with the underlying client, including initial and ongoing determination of client suitability for Grimes' designated investment strategies. If the custodian/broker-dealer is determined by the unaffiliated investment adviser, Grimes will be unable to negotiate commissions and/or transaction costs, and/or seek better execution. As a result,

client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case through alternative clearing arrangements recommended by Grimes. Higher transaction costs adversely impact account performance.

Independent Managers. Grimes may allocate (and/or recommend that the client allocate) a portion of a client's investment assets among unaffiliated independent investment managers in accordance with the client's designated investment objective(s). In such situations, the *Independent Manager[s]* shall have day-to-day responsibility for the active discretionary management of the allocated assets. Grimes shall continue to render investment advisory services to the client relative to the ongoing monitoring and review of account performance, asset allocation and client investment objectives. Factors which Grimes shall consider in recommending *Independent Manager[s]* include the client's designated investment objective(s), management style, performance, reputation, financial strength, reporting, pricing, and research.

The investment management fee charged by the *Independent Manager[s]* is separate from, and in addition to, Grimes' advisory fee as set forth in the fee schedule at Item 5 below.

Cash Positions. Grimes continues to treat cash as an asset class. As such, unless determined to the contrary by Grimes, all cash positions (money markets, etc.) shall continue to be included as part of assets under management for purposes of calculating Grimes' advisory fee. At any specific point in time, depending upon perceived or anticipated market conditions/events (there being no guarantee that such anticipated market conditions/events will occur), Grimes may maintain cash positions for defensive purposes. In addition, while assets are maintained in cash, such amounts could miss market advances. Depending upon current yields, at any point in time, Grimes' advisory fee could exceed the interest paid by the client's money market fund.

Cash Sweep Accounts. Certain account custodians can require that cash proceeds from account transactions or new deposits, be swept to and/or initially maintained in a specific custodian designated sweep account. The yield on the sweep account will generally be lower than those available for other money market accounts. When this occurs, to help mitigate the corresponding yield dispersion, Grimes shall (usually within 30 days thereafter) generally (with exceptions) purchase a higher yielding money market fund available on the custodian's platform, unless Grimes reasonably anticipates that it will utilize the cash proceeds during the subsequent 30-day period to purchase additional investments for the client's account. Exceptions and/or modifications can and will occur with respect to all or a portion of the cash balances for various reasons, including, but not limited to the amount of dispersion between the sweep account and a money market fund, an indication from the client of an imminent need for such cash, or the client has a demonstrated history of writing checks from the account. **Please Note:** The above does not apply to the cash component maintained within a Grimes actively managed investment strategy (the cash balances for which shall generally remain in the custodian designated cash sweep account), assets allocated to an unaffiliated investment manager, and cash balances maintained for fee billing purposes. **Please Also Note:** The client shall remain exclusively responsible for yield dispersion/cash balance decisions and corresponding transactions for cash balances maintained in any Grimes unmanaged accounts.

Client Obligations. In performing its services, Grimes shall not be required to verify any

information received from the client or from the client's other professionals, and is expressly authorized to rely thereon. Moreover, each client is advised that it remains his/her/its responsibility to promptly notify Grimes if there is ever any change their financial situation or investment objectives for the purpose of reviewing, evaluating or revising Grimes' previous recommendations and/or services.

Cybersecurity Risk. The information technology systems and networks that Grimes and its third-party service providers use to provide services to Grimes' clients employ various controls, which are designed to prevent cybersecurity incidents stemming from intentional or unintentional actions that could cause significant interruptions in Grimes' operations and result in the unauthorized acquisition or use of clients' confidential or non-public personal information. Clients and Grimes are nonetheless subject to the risk of cybersecurity incidents that could ultimately cause them to incur losses, including for example: financial losses, cost and reputational damage to respond to regulatory obligations, other costs associated with corrective measures, and loss from damage or interruption to systems. Although Grimes has established its systems to reduce the risk of cybersecurity incidents from coming to fruition, there is no guarantee that these efforts will always be successful, especially considering that Grimes does not directly control the cybersecurity measures and policies employed by third-party service providers. Clients could incur similar adverse consequences resulting from cybersecurity incidents that more directly affect issuers of securities in which those clients invest, broker-dealers, qualified custodians, governmental and other regulatory authorities, exchange and other financial market operators, or other financial institutions.

Disclosure Statement. A copy of Grimes' written Brochure and Client Relationship Summary, as set forth on Part 2A of Form ADV and Form CRS respectively, shall be provided to each client prior to, or contemporaneously with, the execution of the *Investment Advisory Agreement*.

- C. Grimes shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will ascertain each client's investment objective(s). Thereafter, Grimes shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at any time, impose reasonable restrictions, in writing, on Grimes' services.
- D. Grimes does not participate in a wrap fee program.
- E. As of December 31, 2022, Grimes had \$4,094,106,842 in regulatory assets under management on a discretionary basis and \$83,469,227 on a non-discretionary basis for a combined \$4,177,576,069 in regulatory assets under management.

Item 5 Fees and Compensation

A.

INVESTMENT ADVISORY SERVICES

The client can determine to engage Grimes to provide discretionary investment advisory services on a negotiable fee basis. Annual management fees are calculated as a percentage (%) of the market valuation of assets under management, generally in accordance with the following published schedule of fees. Note that multiple client accounts are aggregated for

fee calculation purposes.

<u>Market Value of Portfolio</u>	<u>% of Assets</u>
Under \$500,000	1.25%
\$500,000.01- \$2,000,000	1.00%
\$2,000,000.01- \$7,000,000	0.75%
\$7,000,000.01- \$10,000,000	0.65%
Over \$10,000,000.01	0.50%

The published fee schedule is tiered in nature. Accordingly, the fee is 1.25% for the first \$500,000, 1.00% on the next \$1,500,000, 0.75% for the following \$5,000,000, etc. This annual fee shall be prorated and paid quarterly in arrears based on the market value of the assets on the last day of the previous quarter. In certain situations, the specific fee paid may differ from the above published schedule if agreed to in advance.

- B. Clients shall have Grimes' advisory fees deducted from their custodial account. Both Grimes' *Investment Advisory Agreement* and the custodial/clearing agreement may authorize the custodian to debit the account for the amount of Grimes' investment advisory fee and to directly remit that management fee to Grimes in compliance with regulatory procedures. In the limited event that Grimes bills the client directly, payment is due upon receipt of Grimes' invoice. Grimes shall deduct fees and/or bill clients quarterly in arrears, based upon the market value of the assets, as well as any accrued interest, as of the last business day of the previous quarter.
- C. As discussed below at Item 12 below, when requested to recommend a broker-dealer/custodian for client accounts, Grimes generally recommends that *Schwab*, or *Fidelity* serve as the broker-dealer/custodian for client investment management assets.

Broker-dealers such as *Schwab*, and *Fidelity* charge brokerage commissions, transaction, and/or other type fees for effecting certain types of securities transactions (i.e., including transaction fees for certain mutual funds, and mark-ups and mark-downs charged for fixed income transactions, etc.). The types of securities for which transaction fees, commissions, and/or other type fees (as well as the amount of those fees) shall differ depending upon the broker-dealer/custodian. While certain custodians, including *Schwab* and *Fidelity*, generally (with the potential exception for large orders) do not currently charge fees on individual equity transactions (including ETFs), others do.

There can be no assurance that *Schwab* or *Fidelity* will not change their transaction fee pricing in the future.

Schwab and *Fidelity* may also assess fees to clients who elect to receive trade confirmations and account statements by regular mail rather than electronically.

Clients will incur, in addition to Grimes' investment management fee, brokerage commissions and/or transaction fees, and, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses).

These fees/charges are in addition to Grimes' investment advisory fee at Item 5 below. Grimes does not receive any portion of these fees/charges.

- D. Grimes' annual investment advisory fee shall be prorated and paid quarterly, in arrears, based upon the market value of the assets on the last business day of the previous quarter. Grimes generally requires a minimum asset level of \$500,000 for investment advisory services. Grimes, in its discretion, may waive its minimum asset level, charge a lesser investment advisory fee, charge a flat fee, waive its fee entirely, or charge fee on a different interval, based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, complexity of the engagement, anticipated services to be rendered, grandfathered fee schedules, employees and family members, courtesy accounts, competition, negotiations with client, etc.).

As result of the above, similarly situated clients could pay different fees. In addition, similar advisory services may be available from other investment advisers for similar or lower fees.

The *Investment Advisory Agreement* between Grimes and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the *Investment Advisory Agreement*. Upon termination, a pro-rated portion of the earned but unpaid advisory fee shall be due.

- E. **Securities Commission Transactions.** In the event that the client desires, the client can engage certain Grimes' representatives, in their individual capacities, as registered representatives of *NewEdge Securities Inc.* ("*NewEdge*"), an SEC registered and FINRA member broker-dealer, to implement investment recommendations on a commission basis. In the event the client chooses to purchase investment products through *NewEdge*, *NewEdge* will charge brokerage commissions to effect securities transactions, a portion of which commissions *NewEdge* shall pay to Grimes' representatives, as applicable. The brokerage commissions charged by *NewEdge* may be higher or lower than those charged by other broker-dealers.

1. **Conflict of Interest:** The recommendation that a client purchase a commission product from *NewEdge* presents a conflict of interest, as the receipt of commissions may provide an incentive to recommend investment products based on commissions to be received, rather than on a particular client's need. No client is under any obligation to purchase any commission products from Grimes' representatives.
2. Clients may purchase investment products recommended by Grimes through other, non-affiliated broker dealers or agents.
3. Grimes does not receive more than 50% of its revenue from advisory clients as a result of commissions or other compensation for the sale of investment products Grimes recommends to its clients.
4. When Grimes' representatives sell an investment product on a commission basis, Grimes does not charge an advisory fee in addition to the commissions paid by the client for such product. When providing services on an advisory fee basis, Grimes' representatives do not also receive commission compensation for such advisory services. However, a client may engage Grimes to provide investment management services on an advisory fee basis and separate from such advisory services purchase an investment product from Grimes' representatives on a separate commission basis.

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

Neither Grimes nor any supervised person of Grimes charge performance-based fees on client accounts.

Item 7 Types of Clients

Grimes' clients shall generally include individuals, business entities, trusts, estates and charitable organizations, pension and profit-sharing plans, and state or municipal government entities.

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

- A. Grimes may utilize the following methods of security analysis:
- Fundamental - (analysis performed on historical and present data, with the goal of making financial forecasts)
 - Technical – (analysis of price trends and volatility)

Grimes may utilize the following investment strategies when implementing investment advice given to clients:

- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)
- Options (contract for the purchase or sale of a security at a predetermined price during a specific period of time)

Investment Risk. Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by Grimes) will be profitable or equal any specific performance level(s).

- B. Grimes' methods of analysis and investment strategies do not present any significant or unusual risks.

However, every method of analysis has its own inherent risks. To perform an accurate market analysis Grimes must have access to current/new market information. Grimes has no control over the dissemination rate of market information; therefore, unbeknownst to Grimes, certain analyses may be compiled with outdated market information, severely limiting the value of Grimes' analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

Grimes' primary investment strategies - Long Term Purchases and Short Term Purchases - are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy.

In addition to the fundamental investment strategies discussed above, Grimes may also implement and/or recommend options transactions. This strategy has a high level of inherent risk. (See discussion below).

Options Strategies.

Grimes may engage in options transactions (or engage an independent investment manager to do so) for the purpose of hedging risk and/or generating portfolio income. The use of options transactions as an investment strategy can involve a high level of inherent risk. Option transactions establish a contract between two parties concerning the buying or selling of an asset at a predetermined price during a specific period of time. During the term of the option contract, the buyer of the option gains the right to demand fulfillment by the seller. Fulfillment may take the form of either selling or purchasing a security, depending upon the nature of the option contract. Generally, the purchase or sale of an option contract shall be with the intent of “hedging” a potential market risk in a client’s portfolio and/or generating income for a client’s portfolio.

Certain options-related strategies (i.e. straddles, short positions, etc.), may, in and of themselves, produce principal volatility and/or risk. Thus, a client must be willing to accept these enhanced volatility and principal risks associated with such strategies. In light of these enhanced risks, client may direct Grimes, in writing, not to employ any or all such strategies for his/her/their/its accounts.

Borrowing Against Assets/Risks. A client who has a need to borrow money could determine to do so by using:

- **Margin-**The account custodian or broker-dealer lends money to the client. The custodian charges the client interest for the right to borrow money, and uses the assets in the client’s brokerage account as collateral; and,
- **Pledged Assets Loan-** In consideration for a lender (i.e., a bank, etc.) to make a loan to the client, the client pledges its investment assets held at the account custodian as collateral;

These above-described collateralized loans are generally utilized because they typically provide more favorable interest rates than standard commercial loans. These types of collateralized loans can assist with a pending home purchase, permit the retirement of more expensive debt, or enable borrowing in lieu of liquidating existing account positions and incurring capital gains taxes. However, such loans are not without potential material risk to the client’s investment assets. The lender (i.e. custodian, bank, etc.) will have recourse against the client’s investment assets in the event of loan default or if the assets fall below a certain level. For this reason, Grimes does not recommend such borrowing unless it is for specific short-term purposes (i.e. a bridge loan to purchase a new residence). Grimes does not recommend such borrowing for investment purposes (i.e. to invest borrowed funds in the market). Regardless, if the client was to determine to utilize margin or a pledged assets loan, the following economic benefits would inure to Grimes:

- by taking the loan rather than liquidating assets in the client’s account, Grimes continues to earn a fee on such Account assets; and,
- if the client invests any portion of the loan proceeds in an account to be managed by Grimes, Grimes will receive an advisory fee on the invested amount; and,
- if Grimes’ advisory fee is based upon the higher margined account value (*see* margin disclosure at Item 5 above), Grimes will earn a correspondingly higher advisory fee. This could provide Grimes with a disincentive to encourage the client to discontinue the use of margin.

The Client must accept the above risks and potential corresponding consequences associated with the

use of margin or a pledged assets loan.

Client Obligations. In performing our services, Grimes shall not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely thereon. Moreover, it remains each client's responsibility to promptly notify Grimes if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising our previous recommendations and/or services.

Investment Risk. Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by Grimes) will be profitable or equal any specific performance level(s).

- C. Currently, Grimes primarily allocates client investment assets among various no-load and/or load-waived mutual fund classes and/or individual debt and equity securities, and, on a limited basis, independent managers, on a discretionary basis in accordance with the client's designated investment objective(s). (See Independent Managers in Item 4.B above).

Interval Funds/Risks and Limitations: As indicated at Item 4 above, where appropriate, Grimes may utilize interval funds. An interval fund is a non-traditional type of closed-end mutual fund that periodically offers to buy back a percentage of outstanding shares from shareholders. Investments in an interval fund involve additional risk, including lack of liquidity and restrictions on withdrawals. During any time periods outside of the specified repurchase offer window(s), investors will be unable to sell their shares of the interval fund. There is no assurance that an investor will be able to tender shares when or in the amount desired. There can also be situations where an interval fund has a limited amount of capacity to repurchase shares, and may not be able to fulfill all purchase orders. In addition, the eventual sale price for the interval fund could be less than the interval fund value on the date that the sale was requested. While an interval fund periodically offers to repurchase a portion of its securities, there is no guarantee that investors may sell their shares at any given time or in the desired amount. As interval funds can expose investors to liquidity risk, investors should consider interval fund shares to be an illiquid investment. Typically, the interval funds are not listed on any securities exchange and are not publicly traded. Thus, there is no secondary market for the fund's shares. Because these types of investments involve certain additional risk, these funds will only be utilized when consistent with a client's investment objectives, individual situation, suitability, tolerance for risk and liquidity needs. Investment should be avoided where an investor has a short-term investing horizon and/or cannot bear the loss of some, or all, of the investment. There can be no assurance that an interval fund investment will prove profitable or successful. In light of these enhanced risks, a client may direct Grimes, in writing, not to employ any or all such strategies for the client's account.

Inverse/Enhanced Market Strategies. Grimes may utilize long and short mutual funds and/or exchange traded funds that are designed to perform in either an: (1) inverse relationship to certain market indices (at a rate of 1 or more times the inverse [opposite] result of the corresponding index) as an investment strategy and/or for the purpose of hedging against downside market risk; and (2) enhanced relationship to certain market indices (at a rate of 1 or more times the actual result of the corresponding index) as an investment strategy and/or for the purpose of increasing gains in an advancing market. There can be no assurance that any such strategy will prove profitable or successful. In light of these enhanced risks/rewards, a client may direct Grimes, in writing, not to employ any or all such strategies for the client's account.

Item 9 **Disciplinary Information**

Grimes has not been the subject of any disciplinary actions.

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

- A. **Registered Representative of NewEdge.** As disclosed above in Item 5.E, certain of Grimes' representatives are also registered representatives of *NewEdge Securities Inc.* ("*NewEdge*"), a FINRA member broker-dealer.
- B. Neither Grimes, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.
- C. **Broker Dealer.** As disclosed above in Item 5.E, certain of Grimes' representatives, are registered representatives of *NewEdge*, a FINRA member broker-dealer. Clients can choose to engage certain of Grimes' representatives, in their individual capacities, to effect securities brokerage transactions on a commission basis.

Advisor Panel.

Kevin T. Grimes, serves on the Schwab Advisor Services Advisory Board ("the Advisory Board"). As described under Item 12 of this Form ADV, Grimes may recommend that clients establish brokerage accounts with Schwab and/or its affiliates to maintain custody of the clients' assets and effect trades for their accounts. The Advisory Board consists of representatives of independent investment advisory firms who have been invited by Schwab management to participate in meetings and discussions of Schwab Advisor Services' services for independent investment advisory firms and their clients. Advisory Board members enter into nondisclosure agreements with Schwab under which they agree not to disclose confidential information shared with them. This information generally does not include material nonpublic information about Charles Schwab Corporation, whose common stock is listed for trading on the New York Stock Exchange (symbol SCHW). The Advisory Board meets in person or virtually approximately twice per year and has periodic conference calls scheduled as needed. Advisory Board members are not compensated by Schwab for their service, but Schwab does pay for or reimburse Advisory Board members' travel, lodging, meals, and other incidental expenses incurred in attending Advisory Board meetings.

Insurance Agency and Licensed Insurance Agents. GGC&W, LLC is an affiliated insurance agency. Furthermore, certain of Grimes' representatives, in their individual capacities, are licensed insurance agents, and may recommend the purchase of certain insurance-related products on a commission basis. The Grimes licensed insurance agent will generally refer the client to another insurance agent or agency for insurance review, sales and services. In the event that the client purchases a product from the introduced insurance professional, the agent/agency will generally share a portion of the compensation received with the Grimes licensed insurance agent. However, any insurance commissions received as a result of these introductions are paid through GGC&W, LLC.

Conflict of Interest: The recommendation by certain of Grimes' representatives, that any

client purchase a securities or insurance commission product presents a conflict of interest, as the receipt of commissions may provide an incentive to recommend investment products based on commissions received, rather than on a particular client's need. No client is under any obligation to purchase any commission products from Grimes or from any introduced unaffiliated insurance agent or agency. Clients are reminded that they may purchase securities and/or insurance products recommended by Grimes from other broker-dealers or insurance agents.

- D. Grimes does not receive, directly or indirectly, compensation from investment advisors that it recommends or selects for its clients.

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

- A. Grimes maintains an investment policy relative to personal securities transactions. This investment policy is part of Grimes' overall Code of Ethics, which serves to establish a standard of business conduct for all of Grimes' Representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, Grimes also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by Grimes or any person associated with Grimes.

- B. Neither Grimes nor any related person of Grimes recommends, buys, or sells for client accounts, securities in which Grimes or any related person of Grimes has a material financial interest.
- C. Grimes and/or representatives of Grimes may buy or sell securities that are also recommended to clients. This practice may create a situation where Grimes and/or representatives of Grimes are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. Practices such as "scalping" (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if Grimes did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, "front-running" (i.e., personal trades executed prior to those of Grimes' clients) and other potentially abusive practices.

Grimes has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of Grimes' "Access Persons". Grimes' securities transaction policy requires that an Access Person of Grimes must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person's current securities holdings at least once each twelve (12) month period thereafter on a date Grimes selects; provided, however that at any time that Grimes has only one Access Person, he or she shall not be required to submit any securities report described above.

- D. Grimes and/or representatives of Grimes *may* buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where

Grimes and/or representatives of Grimes are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. As indicated above in Item 11.C, Grimes has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of Grimes' Access Persons.

Item 12 Brokerage Practices

- A. In the event that the client requests that Grimes recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct Grimes to use a specific broker-dealer/custodian), Grimes generally recommends that investment management accounts be maintained at *Fidelity and/or Schwab*. Prior to engaging Grimes to provide investment management services, the client will be required to enter into a formal *Investment Advisory Agreement* with Grimes setting forth the terms and conditions under which Grimes shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that Grimes considers in recommending *Fidelity, and/or Schwab* (or any other broker-dealer/custodian to clients) include historical relationship with Grimes, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by Grimes' clients shall comply with Grimes' duty to seek best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where Grimes determines, in good faith, that the commission/transaction fee is reasonable. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Grimes will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, Grimes' investment management fee. Grimes' best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

1. Non-Soft Dollar Research and Additional Benefits

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

As indicated above, certain of the support services and/or products that can be received may assist Grimes in managing and administering client accounts. Others do not directly

provide such assistance, but rather assist Grimes to manage and further develop its business enterprise.

There is no corresponding commitment made by Grimes to *Fidelity and/or Schwab* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

2. Referral Programs:

Fidelity Referral Program. As discussed at Item 14 below, Grimes participates in the Fidelity Wealth Advisor Solutions Program® (the “WAS” Program). Grimes’ participation in the referral program may raise potential conflicts of interest, since Fidelity will most likely refer clients to investment advisors that encourage their clients to custody their assets at Fidelity.

Participation in Schwab Advisor Network®. As discussed at Item 14 below, Grimes may receive client referrals from its participation in the Schwab Advisor Network®. Grimes’ participation in the program may raise conflicts of interest, since Schwab would likely refer clients to investment advisors that encourage their clients to custody their assets at Schwab.

Directed Brokerage. Grimes recommends that its clients utilize the brokerage and custodial services provided by *Fidelity and/or Schwab*. Grimes generally does not accept directed brokerage arrangements (when a client requires that account transactions be affected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and Grimes will not seek better execution services or prices from other broker-dealers or be able to “batch” the client’s transactions for execution through other broker-dealers with orders for other accounts managed by Grimes. As a result, a client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

In the event that the client directs Grimes to effect securities transactions for the client’s accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through Grimes. Higher transaction costs adversely impact account performance.

Transactions for directed accounts will generally be executed following the execution of portfolio transactions for non-directed accounts.

- B. Transactions for each client account generally will be affected independently, unless Grimes decides to purchase or sell the same securities for several clients at approximately the same time. Grimes may (but is not obligated to) combine or “bunch” such orders to seek best execution, to negotiate more favorable commission rates or to allocate equitably among Grimes’ clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion

to the purchase and sale orders placed for each client account on any given day. Grimes shall not receive any additional compensation or remuneration as a result of such aggregation.

Item 13 Review of Accounts

- A. For those clients to whom Grimes provides investment supervisory services, account reviews are conducted on an ongoing basis by Grimes' Principals and/or representatives. All investment supervisory clients are advised that it remains their responsibility to advise Grimes of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review financial planning issues (to the extent applicable), investment objectives and account performance with Grimes on an annual basis.
- B. Grimes may conduct account reviews on an other than periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.
- C. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. Grimes may also provide a written periodic report summarizing account activity and performance.

Item 14 Client Referrals and Other Compensation

- A. As referenced in Item 12.A.1 above, Grimes can receive economic benefit from *Fidelity*, and/or *Schwab*. Grimes, without cost (and/or at a discount), may receive support services and/or products from *Fidelity* and/or *Schwab*.

There is no corresponding commitment made by Grimes to *Fidelity* and/or *Schwab* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

- B. If a client is introduced to Grimes by either an unaffiliated or an affiliated solicitor, Grimes *may* pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, and any corresponding state securities law requirements. Any such referral fee shall be paid solely from Grimes' investment management fee, and shall not result in any additional charge to the client. If the client is introduced to Grimes by an unaffiliated solicitor, the solicitor, at the time of the solicitation, shall disclose the nature of his/her/its solicitor relationship, and shall provide each prospective client with a copy of Grimes' written Brochure with a copy of the written disclosure statement from the solicitor to the client disclosing the terms of the solicitation arrangement between Grimes and the solicitor, including the compensation to be received by the solicitor from Grimes.

Participation in Fidelity Wealth Advisor Solutions®. Grimes participates in the Fidelity Wealth Advisor Solutions Program® (the "WAS" Program), through which Grimes receives referrals from Fidelity Personal and Workplace Advisors LLC ("FPWA"), a registered investment adviser and Fidelity Investments company. Grimes is independent and not affiliated with FPWA or any Fidelity company. FPWA does not supervise or control

Grimes, and FPWA has no responsibility or oversight for Grimes' provision of investment management or other advisory services.

Under the WAS Program, FPWA acts as a solicitor for Grimes, and Grimes pays referral fees to FPWA for each referral received based on Grimes' assets under management attributable to each client referred by FPWA or members of each client's household. The WAS Program is designed to help investors find an independent investment advisor, and any referral from FPWA to Grimes does not constitute a recommendation or endorsement by FPWA of Grimes' particular investment management services or strategies. More specifically, Grimes pays the following amounts to FPWA for referrals: the sum of (i) an annual percentage of 0.10% of any and all assets in client accounts where such assets are identified as "fixed income" assets by FPWA, and (ii) an annual percentage of 0.25% of all other assets held in client accounts. For referrals made prior to April 1, 2017, these fees are payable for a maximum of seven years. Fees with respect to referrals made after that date are not subject to the seven year limitation. In addition, Grimes, has agreed to pay FPWA an annual program fee of \$50,000 to participate in the WAS Program. These referral fees are paid by Grimes and not the client.

Although Grimes will allocate client assets consistent with the client's designated investment objective, the fact that Grimes pays lesser referral compensation (and, as a result, retains a greater portion of its advisory fee) when it allocates assets to FPWA identified as fixed income assets, Grimes has a conflict of interest since it is presented with an economic incentive to allocate more dollars to those types of assets which will permit it to retain a greater portion of its advisory fee.

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

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

Schwab fees to receive client referrals through the Service. Grimes' participation in the Service raises potential conflicts of interest described below.

Grimes pays Schwab a Participation Fee on all referred clients' accounts that are maintained in custody at Schwab and a separate one-time Transfer Fee on all accounts that are transferred to another custodian. The Transfer Fee creates a conflict of interest that encourages Grimes to recommend that client accounts be held in custody at Schwab. The Participation Fee paid by Grimes is a percentage of the value of the assets in the client's account. Grimes pays Schwab the Participation Fee for so long as the referred client's account remains in custody at Schwab. The Participation Fee and any Transfer fee is paid by Grimes and not by the client. Grimes has agreed not to charge clients referred through the Service fees or costs greater than the fees or costs Grimes charges clients with similar portfolios who were not referred through the Service.

The Participation and Transfer Fees are based on assets in accounts of Grimes' clients who were referred by Schwab and those referred clients' family members living in the same household. Therefore, Grimes will have incentives to recommend that client accounts and household members of clients referred through the Service maintain custody of their accounts at Schwab.

Item 15 Custody

Grimes shall have the ability to deduct its advisory fee from the client's custodial account. Clients are provided with written transaction confirmation notices, and a written summary account statement directly from the custodian (i.e., Fidelity, Schwab, etc.) at least quarterly. Clients are urged to compare statements received from Grimes to statement provided by the custodian.

The account custodian does not verify the accuracy of Grimes' advisory fee calculation.

In addition, certain clients have established asset transfer authorizations that permit the qualified custodian to rely upon instructions from Grimes to transfer client funds or securities to third parties. These arrangements are disclosed at Item 9 of Part 1 of Form ADV. However, in accordance with the guidance provided in the SEC's February 21, 2017 *Investment Adviser Association* No-Action Letter, the affected accounts are not subject to an annual surprise CPA examination.

Item 16 Investment Discretion

The client can determine to engage Grimes to provide investment advisory services on a discretionary basis. Prior to Grimes assuming discretionary authority over a client's account, the client shall be required to execute an *Investment Advisory Agreement*, naming Grimes as the client's attorney and agent in fact, granting Grimes full authority to buy, sell, or otherwise effect investment transactions involving the assets in the client's name found in the discretionary account.

Clients who engage Grimes on a discretionary basis may, at any time, impose restrictions, in writing, on Grimes' discretionary authority (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an

inverse relationship to the market, limit or proscribe Grimes' use of margin, etc.).

Item 17 Voting Client Securities

- A. Unless a client directs otherwise in writing, in conjunction with the proxy voting and due diligence services provided by Broadridge Financial Solutions, Inc. ("Broadridge"), or its successors or assignees, Grimes, in conjunction with Broadridge, shall be responsible for directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted. Grimes and/or the client shall correspondingly instruct each custodian of the client's assets to forward to Grimes copies of all proxies and shareholder communications relating to such assets. In addition, in conjunction with the services provided by Broadridge, Grimes, in conjunction with Broadridge, shall monitor corporate actions of individual issuers and investment companies consistent with Grimes' fiduciary duty to vote proxies in the best interests of its clients. With respect to individual issuers, Grimes may be solicited to vote on matters including corporate governance, adoption or amendments to compensation plans (including stock options), and matters involving social issues and corporate responsibility. With respect to investment companies (e.g., mutual funds), Grimes may be solicited to vote on matters including the approval of advisory contracts, distribution plans, and mergers.

Grimes shall maintain records pertaining to proxy voting as required pursuant to the Investment Advisers Act of 1940. In addition, information pertaining to how Grimes voted on any specific proxy issue is also available upon written request.

Class Actions: The client shall maintain exclusive responsibility for all legal proceedings or other type events pertaining to the assets managed by Grimes, including, but not limited to, class action lawsuits. Grimes has identified an unaffiliated service provider (Broadridge) to assist the client, for a fee (generally 20 % of the recovery) with class-action matters. Grimes shall not receive any compensation from the service provider.

The client is under no obligation to engage the service provider.

Grimes does not participate in class action proceedings on behalf of its clients. Thus, if the client chooses not to engage Broadridge, the client will be exclusively responsible to monitor and pursue all class action claims.

Fair Fund Process: In the event that Broadridge is required to process a Fair Fund payment (i.e. a fund established by the SEC to distribute money to defrauded investors), Broadridge shall deposit the gross settlement into the client's account. However, Broadridge, unlike it does for class action settlements, will not deduct its percentage fee from the client's gross settlement unless and until it is expressly permitted to do so by applicable law or regulation.

- B. As set forth in Item 17.A, Grimes votes client proxies.

Item 18 Financial Information

- A. Grimes does not solicit fees of more than \$1,200, per client, six months or more in advance.

- B. Grimes is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.
- C. Grimes has not been the subject of a bankruptcy petition.

Grimes' Chief Compliance Officer, Michael J. Davide remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.