



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

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**March 26, 2024**

**This Brochure provides information about the qualifications and business practices of Proffitt & Goodson, Inc. ("Proffitt & Goodson" or "firm"). If you have any questions about the contents of this Brochure, please contact us at (865) 584-1850 or [info@proffittgoodson.com](mailto:info@proffittgoodson.com). 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. Registration as an investment adviser does not imply a certain level of skill or training.**

**Additional information about Proffitt & Goodson is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 105278.**

## Item 2. Material Changes

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This Brochure, provided in an Annual Update filing and dated March 26, 2024, provides you with a summary of Proffitt & Goodson, Inc.'s advisory services and fees, professionals, certain business practices and policies, as well as actual or potential conflicts of interest, among other things. This Item is used to provide our clients with a summary of new and/or updated information; we will inform clients of the revision(s) based on the nature of the information as follows:

**Annual Update:** We are required to update certain information at least annually, within 90 days of our firm's fiscal year end (FYE) of December 31. If our firm has made revisions that would affect a client's decision making when doing business with us, we will provide our clients with either a summary of any materially revised information with an offer to deliver the fully revised Brochure within 120 days of our FYE or we will provide you with our revised Brochure that will include a summary of those changes in this Item. Non-material revisions are not delivered to clients but can be viewed on the SEC investment adviser info site, as noted on the cover sheet of this Brochure.

**Material Changes:** Should a material change in our operations occur, depending on its nature we will promptly communicate this change to clients (and it will be summarized in this Item). "Material changes" requiring prompt notification will include changes of ownership or control; location; disciplinary proceedings; significant changes to our advisory services or advisory affiliates – any information that is critical to a client's full understanding of who we are, how to find us, and how we do business.

The following material changes have been made to Proffitt & Goodson's Brochure since the last update to our form ADV Part 2A, dated March 17, 2023.

- Item 4 has been updated to reflect our services for individual 401(k) management through the Pontera platform.
- Item 5 has been updated to reflect the fees associated with our management through the Pontera platform.
- Item 15 has been updated to discuss custody of our held away accounts through the Pontera platform.

Please note that other changes were made to this Brochure, which are not discussed in this summary. Consequently, we encourage you to read the Brochure in its entirety.

## Item 3. Table of Contents

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## Item 4. Advisory Business

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Proffitt & Goodson, Inc. is a privately held independent registered investment advisory firm that works with individuals, families and institutions to assist them in defining and meeting their investment objectives through highly personalized, client-focused portfolio management, wealth planning, and pension consulting services. The firm is a SEC-registered investment adviser with its principal place of business located in Knoxville, Tennessee. Proffitt & Goodson was founded by Jim Proffitt and David Goodson and began conducting business as a registered investment adviser in August 1986.

David N. Goodson, Principal and Advisor and Neil W. Goodson, Principal, Advisor and Chief Compliance Officer, are the firm's principal shareholders (i.e., those individuals controlling 50% or more of this company).

Proffitt & Goodson offers Portfolio Management, Wealth Planning and Pension Consulting services to its advisory clients. Please see the disclosure below in this Item for additional information regarding these services.

As of December 31, 2023, we were actively managing \$589,949,893 of client assets on a discretionary basis and \$10,485,895 on a non-discretionary basis for a total of \$600,435,788 of assets under management.

### OUR SERVICES

#### PORTFOLIO MANAGEMENT

Our firm offers portfolio management services to its advisory clients. We provide continuous advice to a client regarding the investment of client funds based on the client's individual needs. Through personal discussions with our clients, we develop a client's personal investment policy and create and manage a portfolio based on that policy. During this data-gathering process, we determine the client's individual objectives, time horizons, risk tolerance, and liquidity needs. We may also review and discuss a client's prior investment history, as well as family composition and background. Often, our financial and wealth planning services can help identify individual objectives, liquidity needs and risk tolerance.

We currently offer our portfolio management services on a discretionary basis only. Account supervision is guided by the client's stated objectives (e.g., growth, income or a balance between growth and income), as well as tax considerations. Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors. However, any restrictions imposed by a client may adversely affect the composition and performance of the client's portfolio.

Our investment recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company. Our client portfolios may include: individual stocks,

exchange-traded funds ("ETFs"), no-load mutual funds, options, corporate and government debt securities, and municipal bonds.

Because some types of investments involve certain additional degrees of risk, they will only be implemented/recommended when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability.

#### WEALTH PLANNING SERVICES

Proffitt & Goodson, Inc. offers financial and wealth planning services to its clients. These services include retirement income planning, tax planning, estate planning and cash flow planning. To provide these services, Proffitt & Goodson gathers information on the client's current financial position, tax situation, and financial goals.

Clients can also receive investment and other financial advice on a consulting basis. Some of the services offered include, investment advice regarding non-marketable securities, trust account and trustee services, estate administration, the preparation of Investment Policy Statements (IPS) outside of a relationship for either portfolio management, pension consulting, or other financial planning services.

Clients may also elect to hold a portfolio of securities with Proffitt & Goodson for which the client chooses to retain investment discretion. These accounts are maintained on a non-discretionary basis and are usually associated with an account in which Proffitt & Goodson has investment discretion, noted above. Clients may contact custodian without knowledge of Adviser to execute trades at the Clients' discretion. In the non-discretionary portfolios, clients maintain responsibility for investment selection. The client may give Proffitt & Goodson instructions to buy, sell, exchange, convert, or hold securities, cash or other investments with Clients' prior consent. Adviser may or may not provide accounting services or execution of trades services for these non-discretionary portfolios.

We gather necessary information through in-depth personal interviews and careful review of documents supplied by the client. The specific information gathered depends upon the service being provided. Consulting recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company.

#### PENSION CONSULTING

Further, we provide several advisory services separately or in combination to 401(k) and other retirement plans. Pension Consulting is comprised of four distinct services. Clients may choose to use any or all of these services.

- **Investment Policy Statement ("IPS") Preparation:** We will meet with a client to determine an appropriate investment strategy that reflects the plan sponsor's stated investment objectives for management of the overall plan. Our firm then prepares a written IPS detailing those needs and goals, including an encompassing policy under which these goals are to be achieved.

- **Selection of Investment Vehicles:** We assist plan sponsors in constructing appropriate asset allocation models. We then review various mutual funds and ETFs to determine which investments are appropriate to implement the client's IPS. The number of investments recommended is determined by the client, based on the IPS.
- **Monitoring of Investment Performance:** We monitor client investments continually, based on the procedures and timing intervals set forth in the IPS. Although our firm is not directly involved in the purchase or sale of investments for pension consulting clients, we supervise the client's portfolio and make recommendations to the client as market factors and the client's needs dictate.
- **Employee Communications:** For retirement plan clients with individual plan participants exercising control over assets in their own account (i.e., self-directed plans), we may also provide periodic educational support and investment workshops designed for the plan participants. The nature of the topics to be covered is determined by us and the client under the guidelines established in ERISA Section 404(c). The educational support and investment workshops will not provide plan participants with individualized, tailored investment advice or individualized, tailored asset allocation recommendations.

#### SUB-ADVISOR

We may perform as a sub-advisor for other advisors. As such, we manage the client's account for that advisor. We do not manage these accounts differently than our managed portfolio clients. When we act as a sub-advisor, the investment advisor for the client will obtain the client's Investment Policy Statement and Investment Management Agreement. Client's whose money we manage under this arrangement will be billed directly from their investment advisor. We will be paid a portion of the client's management fee directly from the investment advisor.

#### SCHWAB INSTITUTIONAL INTELLIGENT PORTFOLIOS

Proffitt & Goodson, Inc. offers an automated investment program (the "Program") through which clients are invested in a range of investment strategies Proffitt & Goodson has constructed and manage, each consisting of a portfolio of exchange-traded funds ("Funds") and a cash allocation. The client's portfolio is held in a brokerage account opened by the client at Charles Schwab & Co., Inc. ("Schwab"). Proffitt & Goodson uses the Institutional Intelligent Portfolios® platform ("Platform"), offered by Schwab Performance Technologies ("SPT"), a software provider to independent investment advisors and an affiliate of Schwab, to operate the Program. Proffitt & Goodson is independent of and not owned by, affiliated with, or sponsored or supervised by SPT, Schwab, or their affiliates (together, "Schwab"). Proffitt & Goodson, and not Schwab, is the client's investment advisor and primary point of contact with respect to the Program. Proffitt & Goodson is solely responsible, and Schwab is not responsible, for determining the appropriateness of the Program for the client, choosing a suitable investment strategy and portfolio for the client's investment needs and goals, and managing that portfolio on an ongoing basis. Proffitt & Goodson has contracted with SPT to provide the Platform, which consists of technology and related trading and account

management services for the Program. The Platform enables Proffitt & Goodson to make the Program available to clients online and includes a system that automates certain key parts of our investment process (the “System”). The System includes an online questionnaire that can help Proffitt & Goodson determine the client’s investment objectives and risk tolerance and select an appropriate investment strategy and portfolio. Clients should note that, if Proffitt & Goodson uses the online questionnaire, they will recommend a portfolio via the System in response to the client’s answers to the online questionnaire. The client may then indicate an interest in a portfolio that is one level less or more conservative or aggressive than the recommended portfolio, but Proffitt & Goodson then makes the final decision and selects a portfolio based on all the information they have about the client. The System also includes an automated investment engine through which Proffitt & Goodson manages the client’s portfolio on an ongoing basis through automatic rebalancing and tax-loss harvesting (if the client is eligible and elects). Proffitt & Goodson charges clients a fee for services as described below under Item 5 Fees and Compensation. Proffitt & Goodson’s fees are not set or supervised by Schwab. Clients do not pay brokerage commissions or any other fees to Schwab as part of the Program.

#### PONTERA

Proffitt & Goodson uses a third-party platform made available by Pontera Solutions, Inc. (“Pontera”) to facilitate management of held away assets such as defined contribution plan participant accounts, with discretion. The platform allows Proffitt & Goodson to avoid being considered to have custody of client funds since Proffitt & Goodson does not have direct access to client log-in credentials to affect trades. Proffitt & Goodson is not affiliated with the Pontera in any way and receives no compensation from them for using their platform. A link will be provided to the client allowing them to connect an account(s) to the platform. Once client account(s) is connected to the platform, Proffitt & Goodson will review the current account allocations. When deemed necessary, Proffitt & Goodson will rebalance the account considering client investment goals and risk tolerance, and any change in allocations will consider current economic and market trends. The goal is to improve account performance over time, minimize loss during difficult markets, and manage internal fees that harm account performance. Client account(s) will be reviewed at least quarterly and allocation changes will be made as deemed necessary.

## **Item 5. Fees and Compensation**

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#### FEES FOR PORTFOLIO MANAGEMENT

The annual fee for portfolio management services is charged at a rate of 1.00% of the amount of client assets under our management. Therefore, if a client’s account is valued at \$1,000,000, the annual fee would be calculated as follows: \$1,000,000 x 1.00%. Our firm reserves the right to negotiate fees with clients and may group certain related or other client assets together to minimize fees charged to clients.

Our fees are assessed quarterly, in advance, at the beginning of each quarter. Thus, clients are charged ¼ of their annual advisory fee each quarter. The fee is based upon the value (market value or fair market value in the absence of market value), of the client's account at the end of

the previous three-month period and includes any accrued interest earned but not yet paid. Clients will be invoiced or have their fees debited from the account in accordance with client authorization. Fees are not increased or refunded for account activity including deposits, withdrawals, interest, dividends or market performance in the current billing quarter.

We prefer that our clients start management with client assets of one million dollars or more to best utilize our services. Although clients should be aware, Proffitt & Goodson does not enforce a minimum client asset requirement or fee structure.

Proffitt & Goodson, Inc. has retained the services of James N. Proffitt, Jr. as a consultant and internal solicitor. He will receive compensation for the referral of any new clients and a portion of the fees collected from certain clients.

#### FEES FOR WEALTH PLANNING SERVICES

Proffitt & Goodson's wealth planning services fee will be determined based on the nature of the services being provided and the complexity of each client's circumstances. Proffitt & Goodson does not charge separately for certain financial and wealth planning services for clients with portfolio management agreements in place. Proffitt & Goodson may charge fees for certain wealth planning services, such as trust account and trustee services, estate administration, the preparation of Investment Policy Statements (IPS) outside of a relationship for either portfolio management or pension consulting. All fees are agreed upon prior to entering into a contract with the client. The fees for such services are charged on an hourly basis, typically ranging from \$300 to \$400 per hour, and are negotiated directly with the client. Clients are given an estimate of the time required for the specific services provided and are billed in arrears at the end of each month that services are performed. Separately, clients may have continuous consulting advice in which fees are based upon a percentage of holdings as agreed upon in the clients' written investment management agreement. This percentage will be based upon the complexity of the consulting arrangement and other considerations, such as affiliated accounts.

There is no minimum fee for consulting services.

#### FEES FOR PENSION CONSULTING

The annual fee for this service is typically charged at a rate of 0.50% of the amount of assets in the applicable retirement plan. Therefore, if a plan is valued at \$2,000,000, the annual fee would be calculated as follows:  $\$2,000,000 \times 0.50\%$ .

Our fees are billed, in arrears, based upon the daily average market value (market value or fair market value in the absence of market value) of the plan over the billing period in accordance with the management agreement. Clients will be invoiced or have their fees debited from a plan account in accordance with client authorization.

We prefer that our clients start management with two million dollars or more in plan assets to best utilize our services. Although clients should be aware, Proffitt & Goodson does not



enforce a minimum client asset requirement or fee structure. Our firm reserves the right to negotiate fees with clients and may group certain related or other client assets together to minimize fees charged to clients.

#### FEES FOR SUB-ADVISOR

When we act as sub-advisor for other investment advisors, we charge the investment advisor a management fee based upon fair market value of assets, starting at 1.0% per annum but negotiable based upon size of account and complexity of relationship. This fee is negotiable and may be different than our regular fee schedule. The client is billed one fee and we receive a portion of that fee from their respective investment advisor.

#### PONTERA

When advising individuals on employee benefit plans pursuant to ERISA, we may utilize Pontera to provide an additional service for accounts not directly custodied at Charles Schwab, but where we do have discretion, and may leverage an Order Management System to implement tax-efficient asset location and opportunistic rebalancing strategies on behalf of the client. These are primarily 401(k) accounts, 403(b)s, and other assets not custodied at Charles Schwab. We regularly review the available investment options in these accounts, monitor them, and rebalance and implement our strategies in the same way we do other accounts, though using different tools as necessary.

Investment management fees are generally directly debited on a pro rata basis from client accounts. The exception for this is directly-managed held-away accounts, such as 401(k)s. As it is impossible to directly debit the fees from these accounts, those fees will be assigned to the client's managed accounts held at Charles Schwab on a pro-rata basis. The specific fee schedule charged by Proffitt & Goodson for account management of held away assets is established in the client's written agreement with Proffitt & Goodson. Clients do not pay any additional fee to Pontera or Proffitt & Goodson in connection with platform participation. Accounts initiated or terminated during a calendar quarter will be charged a prorated fee based on the amount of time remaining in the billing period.

#### GENERAL FEE INFORMATION

***Advisory Fees in General:*** Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers for similar or lower fees. Further, Proffitt & Goodson considers cash (i.e., money market funds) to be an asset class and as a result, Proffitt & Goodson includes such funds in our fee calculation, regardless of our fee model. At times, our fee will exceed the money market yield. The client should review all fees charged by funds, brokers, Proffitt & Goodson and others to fully understand the total amount of fees paid by the client for investment and financial-related services.

***Negotiability of Fees:*** In certain circumstances, all fees may be negotiable. Further, we may waive or discount advisory fees for family members of the owners and employees of our firm. These fee waivers or discounts are not generally available to all advisory clients of Proffitt & Goodson.

***Termination of the Advisory Relationship:*** A client agreement may be canceled at any time, by either party, for any reason. As disclosed above, certain fees are paid in advance of services provided. Upon termination of any portfolio management account, any prepaid, unearned fees will be promptly refunded. In calculating a client's reimbursement of fees, we will prorate the reimbursement according to the number of days remaining in the billing period.

***Fund Fees:*** All fees paid to Proffitt & Goodson for investment advisory services are separate and distinct from the fees and expenses charged by ETFs or mutual funds to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee and other fund expenses. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in an ETF or mutual fund directly, without our services. In that case, the client would not receive the services provided by our firm which are designed, among other things, to assist the client in determining which fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

***Trust Services Fees:*** In certain instances, Proffitt & Goodson charges a separate fee specific to trust services, which is collected in an hourly fee. In other instances, our fee may be included in advisory fees or an overall retainer.

***Margin Account Fees:*** Proffitt and Goodson charges, on a quarterly basis, an asset-based fee equal to a percentage of the market value of the securities in the account. If a margin loan is used to purchase securities in these accounts or borrow against the value of the existing securities, asset-based fees are based on the gross value of all securities in the account and the value of the portfolio is not reduced by the margin loan balance.

***Additional Fees and Expenses:*** In addition to our advisory fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker-dealers, including, but not limited to, any transaction charges, fees for duplicate statements and transaction confirmations, and fees for electronic data feeds and reports. Please refer to Item 12 of this Brochure for additional information about our brokerage practices.

***Limited Prepayment of Fees:*** Under no circumstances do we require or solicit payment of fees in excess of \$1,200 more than six months in advance of services rendered.

## Item 6. Performance-Based Fees and Side-By-Side Management

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We do not charge performance-based fees (i.e., fees based on a share of capital gains on or capital appreciation of the assets of a client).

## Item 7. Types of Clients

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Proffitt & Goodson provides advisory services, where appropriate, to individuals, families, trusts, estates, charitable organizations, pension and profit-sharing plans, corporations and other business entities.

As previously disclosed in Item 5, Proffitt & Goodson does not have minimum account sizes or minimum fee requirements. However, we provide guidance to clients on how to best utilize our services as described in Items 4 and 5 of this Brochure.

Clients eligible to enroll in Schwab's Institutional Intelligent Portfolios include individuals, IRAs, and revocable living trusts. Clients that are organizations (such as corporations and partnerships) or government entities, and clients that are subject to the Employee Retirement Income Security Act of 1974, are not eligible for the Program. The minimum investment required to open an account in the Program is \$5,000. The minimum account balance to enroll in the tax-loss harvesting feature is \$50,000.

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

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### METHODS OF ANALYSIS

We use the following specific methods of analysis in formulating our investment advice and/or managing client assets:

***Evidence-Based Approach:*** Proffitt & Goodson practices an evidence-based approach to investing. Our focus is on understanding the best practices and body of knowledge defined by over 50 years of academic and practitioner investment and financial market research. This research is ongoing and continues to inform the recommendations Proffitt & Goodson makes to its clients.

***Fundamental Analysis:*** Our selection process for equity securities is based primarily on fundamental analysis of the earnings prospects, financial structure, and management of companies. We view stocks as ownership in businesses and investments in their products, resources, and managerial talents. Investment opportunities are created by fundamental economic, technological, and social change, and we attempt to identify companies affected by

those changes. Our focus is on choosing stocks with above average growth potential for the two to three years ahead, as we feel that most successful equity investments are made when a long-term perspective is taken.

Our investment process generally results in an equity portfolio containing a core of high quality, large and middle capitalization stocks. The balance is invested in special situations. Our analysis favors companies with consistently strong earnings growth, favorable valuations relative to growth rates, and solid financial structures. Above all, we are looking for the ability of a company to produce above average returns, without assuming an undue amount of financial risk.

Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

**Technical Analysis:** Technical analysis is secondary to our use of fundamental analysis and is used mainly as an aid to the timing of purchases and sales. Technical analysis involves the analysis of past market movements and the application of that analysis to the present in an attempt to recognize recurring patterns of investor behavior and to predict future price movement.

Technical analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly-managed or financially unsound company may underperform regardless of market movement.

**Asset Allocation:** Rather than focusing exclusively on securities selection, we also attempt to identify an appropriate ratio of securities, fixed income, and cash suitable to the client's investment goals and risk tolerance. In addition to a target asset allocation, a client's Investment Policy Statement includes a possible range of allocation values for equities, fixed income and cash securities, and we may vary the client's exposure to these asset classes based on our outlook and evaluation of general market conditions.

Proffitt & Goodson utilizes a models-based approach to managing the client's asset allocation. We design model portfolios that are tailored to the risk preferences of clients and are consistent with the client's target risk profile described in the investment policy statement. Each targeted risk category may contain a combination of models for equity, fixed income, and cash allocations. Models may contain a group of exchange-traded funds (ETFs), mutual funds, or consist of individual stocks and/or bonds. ETF and individual securities models may be combined to implement a "core-satellite" portfolio structure depending on individual client needs and preferences. Generally, each client portfolio will follow a model portfolio or combination of models tailored based on several factors, including, without limitation: size of the overall portfolio, investment capacity of the particular account, tax-status, any legacy positions, cash needs, and client preferences. A client may have different model targets for different accounts or may be assigned a target for the consolidated portfolio of all accounts.

Smaller portfolios may vary from the full model in order to improve implantation efficiency or reduce trading costs.

A risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of securities, fixed income, and cash will change over time due to stock and market movements and, if not corrected, will no longer be appropriate for the client's goals. There is also the risk that any variation we make from a client's target allocation, as noted above, will adversely affect the client's overall performance.

***Mutual fund and/or ETF analysis:*** We look at the experience and track record of mutual fund or ETF managers in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We also look at the underlying assets in a mutual fund or ETF in an attempt to determine if there is significant overlap in the underlying investments held in another fund(s) in the client's portfolio. We also monitor the funds or ETFs in an attempt to determine if they are continuing to follow their stated investment strategy.

A risk of mutual fund and/or ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a fund or ETF, managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETF, which could make the holding(s) less suitable for the client's portfolio.

***Risks for all forms of analysis:*** Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

Diversification by industry over a reasonable number of securities is an important part of our strategy to manage risk. An average individually managed equity portfolio contains approximately 20 to 40 securities, while larger accounts may have a greater number of issues. Any existing securities which are transferred to us are reviewed in light of our investment discipline and any client constraints. Portfolios managed using exchange-traded funds (ETFs) or other types of pooled investments will contain fewer positions due to the inherent diversification within those investment vehicles.

### INVESTMENT STRATEGIES

We use the following strategy(ies) in managing client accounts, provided that such strategy(ies) are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:

**Long-term purchases:** We purchase securities with the idea of holding them in the client's account for a year or longer. Typically, we employ this strategy when:

- we believe the securities to be currently undervalued, and/or
- we want exposure to a particular asset class over time, regardless of the current projection for this class.

A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantage of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

**Short-term purchases:** When utilizing this strategy, we purchase securities with the idea of selling them within a relatively short time (typically a year or less). We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase.

A short-term purchase strategy poses risks should the anticipated price swing not materialize; we are then left with the option of having a long-term investment in a security that was designed to be a short-term purchase, or potentially taking a loss.

In addition, this strategy involves more frequent trading than does a longer-term strategy and will result in increased brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains.

**Margin:** We do not use margin transactions as an investment strategy. However, we do recommend, where appropriate, that a client establish a margin account with the client's broker. In this situation, if we are selling one stock and purchasing another stock with the proceeds, we can use the margin account to make certain that you are not left out of the purchase if we have difficulty completing the sale.

**Options<sup>1</sup>:** We may use options in selected portfolios if appropriate to that specific client's needs, objectives and risk tolerance. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an asset (such as a share of stock) at a specific price on or before a certain date. An option, just like a stock or bond, is a security. An option is also a derivative, because it derives its value from an underlying asset.

The two types of options are "calls" and "puts." A call gives a client the right to buy an asset at a certain price within a specific period of time. We will buy a call if we have determined that the stock will increase substantially before the option expires. A put gives a client the

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<sup>1</sup> For more information regarding options, you may refer to The Options Industry Council website: <http://www.888options.com/basics/default.jsp>

right to sell an asset at a certain price within a specific period of time. We will buy a put if we have determined that the price of the stock will fall before the option expires.

We may use options to “hedge” a purchase of the underlying security; in other words, we may use an option purchase to limit the potential upside and downside of a security in our client’s portfolios.

We also may use “covered calls”, in which we sell an option on a security held in our client’s portfolios. In this strategy, the client receives a fee for making the option available, and the person purchasing the option has the right to buy the security from the client at an agreed-upon price.

In addition, we may use a “spreading strategy”, in which we purchase two or more option contracts (for example, a call option that you buy and a call option that you sell) for the same underlying security. This effectively puts you on both sides of the market, but with the ability to vary price, time and other factors.

A risk of covered calls is that the option buyer does not have to exercise the option, so that if we want to sell the stock prior to the end of the option agreement, we have to buy the option back from the option buyer, for a possible loss. A risk of spreading strategies is that the ability to fully profit from a price swing is limited.

#### RISK OF LOSS

Securities investments are not guaranteed, and you may lose money on your investments. We ask that you work with us to help us understand your tolerance for risk.

All investing and trading activities risk the loss of capital. Although we will attempt to moderate these risks, no assurance can be given that the investment activities of an account we advise will achieve the investment objectives of such account or avoid losses. Direct and indirect investing in securities involves risk of loss that you should be prepared to bear. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines. We cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is in no way an indication of future performance. It is important that you understand the risks associated with investing in the types of investments and strategies listed above.

Except as may otherwise be provided by law, we are not liable to clients for:

- Any loss that you may suffer by reason of any investment decision made or other action taken or omitted by us in good faith;
- Any loss arising from our adherence to your instructions or the disregard of our recommendations made to you; or
- Any act or failure to act by a custodian or other third party to your account.

The information included in this Brochure does not include every potential risk associated with an investment strategy, technique or type of security applicable to a particular client account. You are encouraged to ask questions regarding risks applicable to a particular strategy or investment product and read all product-specific risk disclosures. It is your responsibility to give us complete information and to notify us of any changes in financial circumstances or goals.

There are certain additional risks associated when investing in securities; including, but not limited to:

- Market Risk: Either the stock market as a whole, or the value of an individual company or fund, goes down resulting in a decrease in the value of client investments. This is also referred to as systemic risk.
- Legal and Regulatory Risks: The regulation of the U.S. and non-U.S. securities and futures markets investment funds has undergone substantial change in recent years and such change may continue. In particular, in light of the recent market turmoil there have been numerous proposals, including bills that have been introduced in the U.S. Congress, for substantial revisions to the regulation of financial institutions generally. Some of the additional regulation includes requirements that private fund managers register as investment advisers under the Advisers Act and disclose various information to regulators about the positions, counterparties and other exposures of the private funds managed by such managers. Further, the practice of short selling has been the subject of numerous temporary restrictions, and similar restrictions may be promulgated at any time. Such restrictions may adversely affect the returns of Underlying Investment Funds that utilize short selling. The effect of such regulatory change on the accounts and/or the underlying investment funds, while impossible to predict, could be substantial and adverse.
- Inflation Risk: When inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation. Proffitt & Goodson's portfolios face inflation risk, which results from the variation in the value of cash flows from a financial instrument due to inflation, as measured in terms of purchasing power.
- Market or Interest Rate Risk: The price of most fixed income securities move in the opposite direction of the change in interest rates. For example, as interest rates rise, the prices of fixed income securities fall. If Proffitt & Goodson holds a fixed income security to maturity, the change in its price before maturity may have little impact on Proffitt & Goodson portfolios' performance. However, if Proffitt & Goodson determines to sell the fixed



income security before the maturity date, an increase in interest rates could result in a loss.

- Market Volatility: The profitability of the portfolios substantially depends upon Proffitt & Goodson correctly assessing the future price movements of stocks, bonds, options on stocks, and other securities and the movements of interest rates. Proffitt & Goodson cannot guarantee that it will be successful in accurately predicting price and interest rate movements.
- Material Non-Public Information: By reason of their responsibilities in connection with other activities of Proffitt & Goodson and/or its principals or employees, certain principals or employees of Proffitt & Goodson and/or its affiliates may acquire confidential or material non-public information or be restricted from initiating transactions in certain securities. Proffitt & Goodson will not be free to act upon any such information. Due to these restrictions, Proffitt & Goodson may not be able to initiate a transaction that it otherwise might have initiated and may not be able to sell an investment that it otherwise might have sold.
- Accuracy of Public Information: Proffitt & Goodson selects investments, in part, on the basis of information and data filed by issuers with various government regulators or made directly available to Proffitt & Goodson by the issuers or through sources other than the issuers. Although Proffitt & Goodson evaluates all such information and data and sometimes seeks independent corroboration when it's considered appropriate and reasonably available, Proffitt & Goodson is not in a position to confirm the completeness, genuineness, or accuracy of such information and data. In some cases, complete and accurate information is not available.
- Trading Limitations: For all securities, instruments and/or assets listed on an exchange, including options listed on a public exchange, the exchange generally has the right to suspend or limit trading under certain circumstances. Such suspensions or limits could render certain strategies difficult to complete or continue and subject the account to loss. Also, such a suspension could render it impossible for Proffitt & Goodson to liquidate positions and thereby expose the client account to potential losses.
- Recommendation of Particular Types of Securities: In some cases, the Firm recommends mutual funds. There are several risks involved with these funds. These funds have portfolio managers that trade the fund's investments in agreement with the fund's objective and in line with the fund prospectus. While these investments generally provide diversification there are some risks involved especially if the fund is concentrated in a particular sector of the market, uses leverage, or concentrates in a certain type of security (i.e., foreign equities). The returns on mutual funds can be reduced

by the costs to manage the funds and the shares rise and fall in value according to the supply and demand. Open end funds may have a diluted effect on other investors' interest due to the structure of the fund while closed end funds have limited shares which rise and fall in value according to supply and demand in the market. In addition, closed end funds are priced daily and as a result they may trade differently than the daily net asset value (NAV).

- Firm's Investment Activities: Proffitt & Goodson's investment activities involve a significant degree of risk. The performance of any investment is subject to numerous factors which are neither within the control of nor predictable by Proffitt & Goodson. Such factors include a wide range of economic, political, competitive and other conditions (including acts of terrorism and war) that may affect investments in general or specific industries or companies. The markets may be volatile, which may adversely affect the ability of Proffitt & Goodson to realize profits on behalf of its clients. As a result of the nature of Proffitt & Goodson's investing activities, it is possible that Proffitt & Goodson's results may fluctuate substantially from period to period.
- Equity (Stock) Market Risk: Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. If you held common stock, or common stock equivalents, of any given issuer, you would generally be exposed to greater risk than if you held preferred stocks and debt obligations of the issuer.
- Company Risk: When investing in stock positions, there is always a certain level of company or industry specific risk that is inherent in each investment. This is also referred to as unsystematic risk and can be reduced through appropriate diversification. There is the risk that the company will perform poorly or have its value reduced based on factors specific to the company or its industry. For example, if a company's employees go on strike or the company receives unfavorable media attention for its actions, the value of the company may be reduced.
- Risks Associated with Fixed Income: When investing in fixed income instruments such as bonds or notes, the issuer may default on the bond and be unable to make payments. Further, interest rates may increase and the principal value of your investment may decrease. Individuals who depend on set amounts of periodically paid income face the risk that inflation will erode their spending power.
- ETF and Mutual Fund Risk: When investing in an Exchange-Traded Fund (ETF) or mutual fund, a client will bear additional expenses based on the

client's pro rata share of the ETF's or mutual fund's operating expenses, including the potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities the ETF or mutual fund holds. Clients will also incur brokerage costs when purchasing or selling ETFs.

- Options Risk: Options on securities may be subject to greater fluctuations in value than an investment in the underlying securities. Purchasing and writing put and call options are highly specialized activities and entail greater than ordinary investment risks.
- Liquidity Risk: Certain assets may not be readily converted into cash or may have a very limited market in which they trade. Thus, you may experience the risk that your investment or assets within your investment may not be able to be liquidated quickly, thus, extending the period of time by which you may receive the proceeds from your investment. Liquidity risk can also result in unfavorable pricing when exiting (i.e., not being able to quickly get out of an investment before the price drops significantly) a particular investment and therefore, can have a negative impact on investment returns.
- Management Risk: Your investments will vary with the success and failure of our investment strategies, research, analysis and determination of portfolio securities. If you implement our financial planning recommendations and our investment strategies do not produce the expected results, you may not achieve your objectives.
- Reinvestment Risk: This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e., interest rate). This primarily relates to bonds.
- Call Risk: Bonds that are callable carry an additional risk because they may be called prior to maturity depending on current interest rates thereby increasing the likelihood that reinvestment risk may be realized.
- Credit Risk: The price of a bond depends on the issuer's credit rating, or perceived ability to pay its debt obligations. Consequently, increases in an issuer's credit risk, may negatively impact the value of a bond investment.
- Speculation Risk: The securities markets are populated by traders whose primary interest is in making short-term profits by speculating whether the price of a security will go up or go down. The speculative actions of these traders may increase market volatility that could drive down the prices of securities.
- Geopolitical Risk: The risk an investment's returns could suffer as a result of

political changes or instability in a country. Instability affecting investment returns could stem from a change in government, legislative bodies, other foreign policy makers or military control.

- Currency Risk: Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- Foreign Market Risk: The securities markets of many foreign countries, including emerging countries, have substantially less trading volume than the securities markets of the United States, and securities of some foreign companies are less liquid and more volatile than securities of comparable United States companies. As a result, foreign securities markets may be subject to greater influence by adverse events generally affecting the market, by large investors' trading significant blocks of securities, or by large dispositions of securities, than as it is in the United States. The limited liquidity of some foreign markets may affect our ability to acquire or dispose of securities at a price and time it believes is advisable. Further, many foreign governments are less stable than that of the United States. There can be no assurance that any significant, sustained instability would not increase the risks of investing in the securities markets of certain countries.
- Counterparty and Broker Credit Risk: Certain assets will be exposed to the credit risk of the counterparties when engaging in exchange-traded or off-exchange transactions. There may be a risk of loss of assets on deposit with or in the custody of a broker in the event of the broker's bankruptcy, the bankruptcy of any clearing broker through which the broker executes and clears transactions, or the bankruptcy of an exchange clearinghouse.
- Leverage Risk: In addition, some ETFs and CEFs also employ leverage. Leverage increases returns to investors if the investment strategy earns a greater return on leveraged investments than the strategy's cost of such leverage. Although it is not Proffitt & Goodson's strategy to incur margin, Proffitt & Goodson will do so when directed by a client; however, the use of leverage exposes investors to additional levels of risk and loss that could be substantial.
- Algorithm Risk: Proffitt & Goodson offers automated investing through Charles Schwab Institutional Intelligent Portfolios platform. There may be a risk of loss due to errors in the algorithms which drive trading in certain Proffitt & Goodson accounts.

## **Item 9. Disciplinary Information**

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We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management. Our firm and our management personnel have no reportable disciplinary events to disclose.

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

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Management members of our firm may participate in voluntary activities. Activities that take place during our firm's business hours will be listed on that particular individual's Supplemental Brochure, which clients receive initially upon initiating their account and when material changes occur. Please contact Proffitt & Goodson for an additional copy of your specific investment adviser representative's Supplemental Brochure.

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

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### CODE OF ETHICS

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws. Proffitt & Goodson and our personnel owe a duty of loyalty, fairness and good faith to our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics, but to the general principles that guide the Code.

Proffitt & Goodson's Code of Ethics includes the firm's policy prohibiting the use of material non-public information. While we do not believe that we have any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity.

Our Code of Ethics requires that its employees provide annual securities holdings reports and quarterly transaction reports of all reportable transactions to the firm's designated officer. These reports are made available to an appropriate regulatory agency upon request and will be reviewed on a regular basis by the Chief Compliance Officer of Proffitt & Goodson, or his designee, to supervise compliance with the firm's Code of Ethics.

Our Code also contains oversight, enforcement and recordkeeping provisions. A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email to [info@proffittgoodson.com](mailto:info@proffittgoodson.com), or by telephone at (865) 584-1850.

## SUMMARY OF PERSONAL TRADING POLICY

Our firm and the individuals associated with our firm may buy or sell securities for their personal accounts that are identical to or different from those recommended to our clients. In addition, the firm and these individuals may have an interest or position in a security which may also be recommended to a client. As these situations represent actual or potential conflicts of interest with our clients, we have taken the following steps to assure that: (i) the personal securities transactions of our employees will not interfere with making and implementing decisions in the best interest of our advisory clients; (ii) our firm complies with its regulatory obligations; and (iii) we provide our clients with full and fair disclosure of such conflicts of interest:

1. Prohibiting the firm, its owners and employees from:
  - a. Putting their own interest above the interest of an advisory client.
  - b. Buying or selling securities for their personal portfolio(s) where their decision is a result of information received as a result of his or her employment unless the information is also available to the investing public.
  - c. Purchasing or selling any security immediately prior to a transaction(s) in the same securities being implemented for an advisory account.
2. Our firm requires prior approval for any IPO or private placement investments by related persons of the firm.
3. We maintain a list of all reportable securities holdings for our firm and our employees. These holdings are reviewed on a regular basis by our firm's Chief Compliance Officer or his designee to verify compliance with this personal trading policy.
4. We have established procedures for the maintenance of all required books and records.
5. We require all principals and employees to act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
6. We provide each supervised person of our firm a copy of our Code of Ethics on an annual basis.
7. We have established policies requiring the reporting of Code of Ethics violations to our Chief Compliance Officer.
8. Any individual who violates any of the above restrictions may be subject to termination.

## AGGREGATION OF EMPLOYEE TRADES WITH CLIENT TRANSACTIONS

We may aggregate our employee trades with client transactions where possible and when compliant with our duty to seek best execution for our clients. In these instances, participating clients will receive an average share price. Transaction costs will be charged a fixed, per-trade fee or a fee based on the number of shares traded for each client (depending upon the individual client's agreement with the applicable custodian/broker). In the instances where there is a partial fill of a particular batched order, we will allocate all purchases pro-rata, with each account paying the average price. Our employee accounts will be included in the pro-rata allocation.

Please review the disclosures in Item 12 for a more detailed understanding of the firm's trade aggregation policies and procedures.

#### PRINCIPAL TRANSACTIONS

Proffitt & Goodson and individuals associated with our firm are prohibited from engaging in principal transactions (i.e., a transaction where Proffitt & Goodson or a person associated with Proffitt & Goodson, as principal, buys securities from, or sells securities to a Proffitt & Goodson client).

#### PLANS GOVERNED BY ERISA AND INDIVIDUAL RETIREMENT ACCOUNTS

As an investment adviser, our firm is considered a "fiduciary" and strives to maintain the highest level of care over client's assets by providing advice to clients without regard for Proffitt & Goodson's financial benefit, affiliated and non-affiliated relationships or other interests and disclosing these potential conflicts of interest. When our firm acts on the client's behalf, we will always act in the client's best interest. Proffitt & Goodson has outlined fees and expenses for our services in Item 5 of this disclosure.

Our firm does not have any relationships or affiliations with other money managers or sub-advisers and the firm receives no payment from other money managers or sub-advisers.

## **Item 12. Brokerage Practices**

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#### BROKERAGE DISCRETION

Proffitt & Goodson requests that it be provided in writing with the discretionary authority to determine:

- the broker-dealer to use for client transactions; and
- the commission/transaction costs that will be charged to clients for these transactions.

Any limitations on this discretionary authority shall be included in this written authority statement. Clients may change/amend these limitations as required. Such amendments shall also be submitted in writing.

Proffitt & Goodson will endeavor to select those brokers or dealers which will provide the best services at the lowest commission rates possible. The reasonableness of commissions is based on the broker's stability, reputation, ability to provide professional services, competitive commission rates and prices, research, trading platform, and other services which will help Proffitt & Goodson in providing investment management services to clients. Proffitt & Goodson may therefore use a broker who provides useful research and securities transaction services even though a lower commission may be charged by a broker who offers no research services and minimal securities transaction assistance. Research services may be useful in servicing all our clients, and not all of such research may be useful for the account for which the particular transaction was affected.

Proffitt & Goodson typically uses the brokerage services of Schwab Advisor Services™ (formerly Schwab Institutional), a division of Charles Schwab & Co., Inc.<sup>2</sup>, for its advisory client accounts. Schwab is a FINRA<sup>3</sup>-member broker-dealer. Schwab provides Proffitt & Goodson 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 advisers on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the adviser's clients' assets are maintained in accounts at Schwab Advisor Services™. These services are not contingent upon our firm committing to Schwab any specific amount of business (assets in custody or trading commissions). Schwab's brokerage 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.

The decision to utilize Schwab is based on several criteria which include:

- Quality of overall execution services provided;
- Promptness of execution;
- Creditworthiness, financial condition, and business reputation;
- Research (if any) provided;
- Promptness and accuracy of reports on execution;
- Ability and willingness to correct errors;
- Promptness and accuracy of confirmation statements;
- Ability to access various market centers;
- The broker-dealer's facilities and technology;
- The market where the security trades;
- Any expertise in executing trades for the particular type of security;
- Access to exchange traded funds and mutual funds without transaction charges and other securities at nominal transaction charges;
- Reliability of the broker-dealer;
- Ability to use ECNs to gain liquidity, price improvement, lower commission rates and anonymity;
- Operational capabilities

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.

The commissions paid by our clients shall comply with Proffitt & Goodson's duty to obtain "best execution." However, a client may pay a commission that is higher than another qualified broker-dealer might charge to affect the same transaction where Proffitt & Goodson

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<sup>2</sup> For information regarding Schwab, please refer to their website: <https://www.schwab.com/>.

<sup>3</sup> FINRA is the largest independent regulator for all securities firms doing business in the United States. For more information, please refer to FINRA's website: <http://www.finra.org/>.



determines, in good faith, that the commission is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker dealer's services, including among others, the value of research provided, execution capability, commission rates and responsiveness. Consistent with the foregoing, while Proffitt & Goodson will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client transactions.

Proffitt & Goodson recognizes its duty to obtain best price and execution for its clients under the circumstances available. The decision to recommend the preferred service providers is based upon the customer service provided to investors and the services available to Proffitt & Goodson and providing such recommendation is consistent with Proffitt & Goodson's fiduciary duty to the client. Proffitt & Goodson believes that excellent customer service and trade execution available through its preferred services provider is superior to most non-service oriented and internet-based brokers that may otherwise be available to the public.

Proffitt & Goodson has no formal or informal soft dollar arrangements with Schwab or any other broker-dealer.

However, certain research, trading software and related systems support is available to Proffitt & Goodson from Schwab. This may benefit Proffitt & Goodson, but not its clients directly. In fulfilling its duties to its clients Proffitt & Goodson endeavors always to put the interests of its clients first. Clients should be aware, however, that Proffitt & Goodson's receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits may influence Proffitt & Goodson's choice of broker/dealer over another broker/dealer that does not furnish similar software, systems support, or services. Schwab may also provide Proffitt & Goodson with other services intended to help Proffitt & Goodson manage and further develop its business enterprise. These services may include general consulting, publications and presentations on practice management, information technology, business succession, regulatory compliance and marketing. In addition, Schwab may make available, arrange and/or pay for these types of services to Proffitt & Goodson by independent third parties. While as a fiduciary, Proffitt & Goodson endeavors to act in its clients' best interests. Proffitt & Goodson's recommendation that clients maintain their assets in accounts at Schwab may be based in part on the benefit to Proffitt & Goodson because of the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

Client accounts enrolled in the Program are maintained at, and receive the brokerage services of Schwab, a broker dealer registered with the Securities and Exchange Commission and a member of FINRA and SIPC. While clients are required to use Schwab as custodian/broker to enroll in the Program, the client decides whether to do so and opens its account with Schwab by entering into a brokerage account agreement directly with Schwab. Proffitt & Goodson does not open the account for the client. If the client does not wish to place his or her assets with Schwab, then Proffitt & Goodson cannot manage the client's account through the

Program. Schwab may aggregate purchase and sale orders for Funds across accounts enrolled in the Program, including both accounts for clients and accounts for clients of other independent investment advisory firms using the Platform. Schwab Advisor Services™ is Schwab's business serving independent investment advisory firms like Proffitt & Goodson. Through Schwab Advisor Services, Schwab provides Proffitt & Goodson and clients, both those enrolled in the Program and clients not enrolled in the Program, with access to its institutional brokerage services— trading, custody, reporting, and related services—many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help Proffitt & Goodson manage or administer clients' accounts, while others help Proffitt & Goodson manage and grow the business. Schwab's support services described below are generally available on an unsolicited basis (Proffitt & Goodson does not have to request them) and at no charge to Proffitt & Goodson. The availability to Proffitt & Goodson of Schwab's products and services is not based on Proffitt & Goodson giving particular investment advice, such as buying particular securities for clients. Here is a more detailed description of Schwab's support services:

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

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

- provide access to client account data (such as duplicate trade confirmations and account statements);
- facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- provide pricing and other market data;
- facilitate payment of Proffitt & Goodson's fees from clients' accounts; and
- assist with back-office functions, recordkeeping, and client reporting.

Schwab also offers other services intended to help Proffitt & Goodson manage and further develop business enterprise. These services include:

- educational conferences and events;
- technology, compliance, legal, and business consulting;
- publications and conferences on practice management and business succession; and
- access to employee benefits providers, human capital consultants, and insurance providers.

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to Proffitt & Goodson. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide us with other benefits such as occasional business entertainment of Proffitt & Goodson personnel. The availability of services from Schwab benefits Proffitt & Goodson because they do not have to produce or purchase them. Proffitt & Goodson does not have to pay for these services, and they are not contingent upon Proffitt & Goodson committing any specific amount of business to Schwab in trading commissions or assets in custody. With respect to the Program, Proffitt & Goodson does not pay SPT fees for the Platform so long as Proffitt & Goodson maintains \$100 Million in client assets in accounts at Schwab that are not enrolled in the Program. In evaluating whether to recommend or require that 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 potential conflict of interest as Proffitt & Goodson may have an incentive to recommend that clients maintain their accounts with Schwab based on the interest in receiving Schwab's services that benefit the business rather than based on the client's interest in receiving the best value in custody services and the most favorable execution of transactions. Proffitt & Goodson believes, however, that the selection of Schwab as custodian and broker is in the best interests of clients. It is primarily supported by the scope, quality, and price of Schwab's services and not Schwab's services that benefit only Proffitt & Goodson. Proffitt & Goodson have adopted policies and procedures designed to ensure that use of Schwab's services is appropriate for each client.

#### DIRECTED BROKERAGE

Many clients, when undertaking an advisory relationship, already have a pre-established relationship with a broker and they will instruct Proffitt & Goodson to execute all transactions through that broker. In the event that a client directs Proffitt & Goodson to use a particular broker or dealer, it should be understood that under those circumstances Proffitt & Goodson will not have authority to negotiate commissions, obtain volume discounts and best execution may not be achieved. In addition, a disparity in commission charges may exist between the commissions charged to the client and those charged to other clients (who have not directed the use of a broker-dealer).

#### SUMMARY OF TRADE AGGREGATION POLICY

Proffitt & Goodson will block trades where possible and when advantageous to clients. This blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts. Block trading may allow us to execute equity trades in a timelier, more equitable manner, at an average share price. Proffitt & Goodson will typically aggregate trades among clients whose accounts can be traded at a given broker. Proffitt & Goodson block trading policy and procedures are as follows:

1. Transactions for any client account may not be aggregated for execution if the practice is prohibited by or inconsistent with the client's advisory agreement with Proffitt & Goodson, or our firm's order allocation policy.
2. The portfolio manager must determine that the purchase or sale of the particular security involved is appropriate for the client and consistent with the client's investment objectives and with any investment guidelines or restrictions applicable to the client's account.
3. The portfolio manager must reasonably believe that the order aggregation will enable Proffitt & Goodson to seek best execution for each client participating in the
4. aggregated order. This requires a good faith judgment at the time the order is placed for the execution. It does not mean that the determination made in advance of the transaction must always prove to have been correct in the light of a "20-20 hindsight" perspective. Best execution includes the duty to seek the best quality of execution, as well as the best net price.
5. Prior to entry of an aggregated order, barring unusual circumstances related to timing and security price, a written list is completed which identifies each client account participating in the order and the proposed allocation of the order, upon completion, to those clients.
6. If the order cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day must be allocated pro rata among the participating client accounts in accordance with the initial order ticket or other written statement of allocation. However, adjustments to this pro rata allocation may be made to participating client accounts in accordance with the initial order ticket or other written statement of allocation. Furthermore, adjustments to this pro rata allocation may be made to avoid having odd amounts of shares held in any client account, or to avoid excessive ticket charges in smaller accounts.
7. Generally, each client that participates in the aggregated order must do so at the average price for all separate transactions made to fill the order and must equitably share in the commissions and transaction costs. Transaction costs may be charged as a fixed, per-trade fee or a fee based on the number of shares traded for each client (depending upon the individual client's agreement with the applicable custodian/broker).
8. If the order will be allocated in a manner other than that stated in the initial statement of allocation, a written explanation of the change must be provided to and approved by the Chief Compliance Officer no later than the morning following the execution of the aggregate trade.
9. Proffitt & Goodson's client account records separately reflect, for each account in which the aggregated transaction occurred, the securities which are held by, and bought and sold for, that account.
10. Funds and securities for aggregated orders are clearly identified on Proffitt & Goodson's records and to the broker-dealers or other intermediaries handling the transactions, by the appropriate account numbers for each participating client.
11. No client or account will be favored over another.

## Item 13. Review of Accounts

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### PORTFOLIO MANAGEMENT

**Reviews:** Portfolio Management accounts are monitored on an ongoing and continual basis. Accounts are reviewed in the context of each client's stated investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment.

These accounts are reviewed by David N. Goodson, Principal and Advisor, Neil W. Goodson, Principal, Advisor and Chief Compliance Officer and/or other investment professional staff.

**Reports:** In addition to the monthly statements and confirmations of transactions that clients receive from their broker-dealer/custodian, we provide quarterly reports summarizing account performance, balances and holdings.

### FINANCIAL CONSULTING AND PENSION CONSULTING

Clients receiving these services will receive reviews and reports as contracted for at the inception of the advisory relationship.

### SUB-ADVISOR

**Reviews:** While the underlying securities within the sub-advised Portfolio Management accounts are continually monitored, these accounts are reviewed at least monthly. Accounts are reviewed in the context of each client's stated investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment.

These accounts are reviewed by David N. Goodson, Principal and Advisor and/or Neil W. Goodson, Principal, Advisor and Chief Compliance Officer.

**Reports:** In addition to the monthly statements and confirmations of transactions that the clients receive from their broker-dealer/custodians, we provide quarterly reports to the investment manager(s) summarizing account performance, balances and holdings.

## Item 14. Client Referrals and Other Compensation

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It is our policy not to accept or allow our related persons to accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services we provide to our clients.

It is also our policy not to pay referral fees to unaffiliated individuals or firms for referring potential clients. We have an internal solicitor agreement with James N. Proffitt Jr. as part of an internal succession plan executed on July 1, 2019.

## Item 15. Custody

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By regulatory requirement, Proffitt & Goodson is deemed to have custody when the firm accepts written standing letters of authorization requests made by clients to third party payees. In addition, we previously disclosed in Item 5 (the Fees and Compensation section) of this Brochure that our firm directly debits advisory fees from client accounts. As part of this billing process, the client's custodian is advised of the amount of the fee to be deducted from that client's account.

On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period. Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact us directly if they believe that there may be an error in their statement.

In addition to the periodic statements that clients receive directly from their custodians, we also send account reports directly to our clients on a quarterly basis. We urge our clients to carefully compare the information provided on these reports to the custodian's statements to ensure that all account transactions, holdings and values are correct and current.

Certain client accounts subject to Proffitt & Goodson's services may be held at a custodian that is not directly accessible by Proffitt & Goodson ("qualified accounts"). Proffitt & Goodson may, but is not required to, manage these qualified accounts using the Pontera platform, allowing Proffitt & Goodson to view and manage these assets. To manage qualified assets, you must agree to the Pontera End User Terms and Conditions and Privacy Policy and must further agree to keep Proffitt & Goodson apprised of any changes to your usernames and passwords for qualified accounts so that Proffitt & Goodson can promptly update your credentials using the Pontera system. You also must agree to promptly address any requests to update its login credentials when requested by the Pontera system. In the event of any delay by you to update your login credentials, you must acknowledge in your agreement that Proffitt & Goodson will not have access to view or manage your qualified account, which may result in investment losses. Proffitt & Goodson will not be responsible for any losses arising from your delays in updating its login credentials through the Pontera system. Proffitt & Goodson will be under no obligation to credit any fees for valuations made in good faith during periods when Proffitt & Goodson did not have access to any qualified account in calculating its fees under the investment management agreement.

## Item 16. Investment Discretion

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Clients may hire us to provide discretionary portfolio management services. Where we have been provided investment discretion, we place trades in a client's account without obtaining specific client permission prior to each trade. Our discretionary authority includes the ability to do the following without contacting the client:

- Determine the security to buy or sell; and/or
- Determine the amount of the security to buy or sell.

Clients give us discretionary authority when they sign a discretionary advisory agreement with our firm and may limit this authority by giving us written instructions. Clients may also change/amend such limitations by once again providing us with written instructions.

## Item 17. Voting Client Securities

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Advisory clients may elect to delegate their proxy voting authority to us. Alternatively, clients may choose to receive, and vote proxies related to their own accounts. In these circumstances, we will consult with clients regarding the proxy vote upon request. With respect to ERISA accounts, we will vote proxies unless the plan documents specifically reserve the plan sponsor's right to vote proxies. To direct us to vote a proxy in a particular manner, clients should contact our office by telephone, electronic mail, or in writing.

When we have discretion to vote proxies for our clients, we will vote those proxies in the best interests of our clients and in accordance with our established policies and procedures. Our firm will retain all proxy voting books and records for the requisite period of time, including a copy of each proxy statement received, a record of each vote cast, a copy of any document created by us that was material to making a decision how to vote proxies, and a copy of each written client request for information on how the adviser voted proxies. If our firm has a conflict of interest in voting a particular action, we will notify clients of the conflict and obtain client consent before voting the proxy.

Clients may obtain a copy of our complete proxy voting policies and procedures by contacting our office directly. Clients may request, in writing, information on how proxies for his/her shares were voted. If any client requests a copy of our complete proxy policies and procedures or how we voted proxies for his/her account(s), we will promptly provide such information to the client.

Proffitt & Goodson has established procedures and guidelines for monitoring and assisting clients in filing "Proofs of Claim" in securities class action settlements. Proffitt & Goodson cannot and will not provide legal advice regarding class action claims, bankruptcy actions, or other legal matters that may arise, but we will make a best effort attempt to manage the

process necessary for clients to receive any applicable settlements resulting from class action claims. Proffitt & Goodson utilizes the services of Chicago Clearing Corporation (CCC) for monitoring class action litigation and filing of securities claims. Clients may obtain a copy of our proxy voting policy and guidelines, as well as how proxies were voted by contacting, Carol A. Neville, Operations Manager at [cneville@proffittgoodson.com](mailto:cneville@proffittgoodson.com) or phone us at 865-584-1850 or mail a request to our address at Proffitt & Goodson, Inc., P.O. Box 11629, Knoxville, TN 37939-1629 .

## **Item 18. Financial Information**

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Under no circumstances do we require or solicit payment of fees in excess of \$1,200 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

As an advisory firm that maintains discretionary authority for client accounts, we are also required to disclose any financial condition that is reasonably likely to impair our ability to meet our contractual obligations. Proffitt & Goodson has no additional financial circumstances to report and has never been the subject of a bankruptcy petition.