



BRADY INVESTMENT COUNSEL LLC

GROWTH & INCOME | SOCIALLY RESPONSIBLE

# Compliance Manual

File Copy Updated for Period beginning 01/01/2026



# BRADY INVESTMENT COUNSEL LLC

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## Purpose and Disclaimer:

The ambition of the Brady Investment Counsel LLC (Brady) Compliance Manual is to serve several key purposes:

1. **Regulatory Compliance:** It ensures the advisor adheres to all relevant laws and regulations, such as the Investment Advisers Act of 1940.
2. **Risk Management:** It helps identify and mitigate risks associated with the advisor's operations.
3. **Operational Consistency:** It provides standardized procedures for the advisor's activities, promoting consistency and efficiency.
4. **Client Protection includes policies to protect clients' interests and ensure ethical conduct.**
5. **Internal Oversight: It designates a Chief Compliance Officer (CCO) overseeing compliance efforts.**

Overall, the Compliance Manual can be essential for sustaining a strong culture of compliance within our advisory firm. Ultimately, it is the Client's account, and our Client has granted Brady Investment Counsel LLC the privilege to manage it on their behalf. Therefore, our Client is the watchdog of their account.

Nothing contained or implied in this manual is intended to create an impression or false belief that Brady Investment Counsel LLC or its representative(s) assumes that role. Our Client is encouraged and expected to immediately bring all concerns and questions about their accounts and management to our attention.



# BRADY INVESTMENT COUNSEL LLC

## GROWTH & INCOME | SOCIALLY RESPONSIBLE Compliance and Supervisory Policies Manual 1. Introduction

This manual outlines the compliance and supervisory policies for Brady Investment Counsel LLC, an Illinois state-registered investment adviser. Our goal is to ensure adherence to all applicable laws and regulations, maintain high ethical standards, and protect the interests of our clients.

### 2. Compliance Program

#### 2.1. Chief Compliance Officer (CCO)

- The CCO is responsible for overseeing the compliance program.
- The CCO ensures that the firm complies with all regulatory requirements and internal policies.

#### 2.2. Code of Ethics

- All employees must adhere to the firm's Code of Ethics, which includes standards for honesty, integrity, and professionalism.
- Employees must avoid conflicts of interest and disclose any potential conflicts to the CCO.

#### 2.3. Training and Education

- Training sessions can be conducted to ensure all employees know compliance requirements.
- Employees should complete mandatory compliance training annually.

### 3. Supervisory Procedures

#### 3.1. Supervision of Employees

- Supervisors are responsible for monitoring their subordinates' activities to ensure compliance with firm policies and regulatory requirements.
- Reviews and audits will be conducted to assess compliance.



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## 3.2. Client Communications

- All client communications must be transparent, fair, and not misleading.
- The CCO must approve marketing materials and advertisements before dissemination.

## 4. Recordkeeping

- The firm will have access to accurate and complete records of all transactions, communications, and compliance activities.
- Records will be retained for at least five years, as Illinois state regulations require.

## 5. Reporting Violations

- Employees are encouraged to report any suspected violations of the firm's policies or regulatory requirements.
- Reports can be made anonymously and will be investigated promptly and thoroughly.

## 6. Annual Review

- The CCO will conduct a periodic compliance program review to ensure its effectiveness.
- Any necessary updates to policies and procedures will be implemented based on the review findings.

## 7. Conflicts of Interest

### 7.1. Identify Conflicts



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- Brady Investment Counsel LLC will attempt to recognize any situation where our interests might conflict with our clients' interests. Potential conflicts include financial incentives, personal relationships, or any other factors that could influence our advice.

### 7.2. Disclose Conflicts

- Brady Investment Counsel LLC will endeavor to inform our clients about all conflicts in clear, understandable language. Our goal is to allow clients to make informed decisions about whether to proceed with our recommendations.

### 7.3. Mitigate Conflicts

- Where possible, Brady Investment Counsel LLC will take steps to reduce the impact of these conflicts. This might involve changing compensation structures or avoiding certain types of investments that could lead to biased advice.

### 7.4. Document Procedures

- Brady Investment Counsel will identify, disclose, and mitigate conflicts of interest case-by-case. Disclosure and mitigation might include conversing with clients in person or over the phone for minor conflicts and keeping written documentation for significant conflicts of interest. Our procedures and documents will be regularly reviewed and updated as necessary.

### 7.5 Training and Monitoring

- Brady Investment will train when necessary and monitor our compliance to ensure that conflicts of interest are adequately managed.

## 8. Firm Registration:



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- **Initial Registration:** Brady Investment Counsel LLC is an Illinois-registered investment adviser. The State requires we complete and periodically update SEC Form ADV to complete our filing. Form ADV provides information about the firm's business, ownership, clients, employees, business practices, affiliations, and any disciplinary events.
- **Ongoing Compliance:** Brady will endeavor to update Form ADV at least annually or as material changes occur. We aim for updates to be timely and in compliance with state-specific regulations, if applicable.
- **Recordkeeping:** Brady Investment Counsel LLC will maintain written and electronic client communications, such as email and compliance documentation. The client custodian will retain transaction records.
- **Reporting Obligations:** Brady Investment Counsel LLC is required to report the following:
  - **Form ADV: Part 1:** This part includes information about the adviser's business, ownership, clients, employees, business practices, affiliations, and any disciplinary events. It must be filed electronically through the Investment Adviser Registration Depository (IARD).
  - **Part 2:** This part, also known as the "brochure," must be provided to clients and includes detailed information about the adviser's services, fees, disciplinary history, and conflicts of interest
  - **Client Relationship Summary (Form CRS):** This brief document summarizes the services offered, fees, conflicts of interest, and standard of conduct for clients. It must be delivered to clients at the beginning of the advisory relationship and when significant changes occur. Form CRS will be filed after Brady meets or exceeds the SEC assets under management (AUM) filing threshold.
  - **Privacy Notice:** Initial and Annual Notices: Brady must provide clients with privacy notice that explains how their personal information is collected, used, and protected. This notice must be provided at the start of the advisory relationship and annually thereafter.
  - **Disciplinary Disclosures:** Disclosure of Disciplinary Actions: Brady must disclose any disciplinary actions or legal proceedings involving the firm or its employees. This information is included in Form ADV and must be updated promptly if there are any changes.



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- **Fee Disclosures:** Transparent Fee Information: Brady must clearly disclose all fees and compensation arrangements, including how fees are calculated and any additional costs clients may incur. This information is typically included in Form ADV Part 2 and client agreements.
  - **Conflicts of Interest:**
  - Conflict Disclosure: Brady must disclose any conflicts of interest that could affect our ability to provide unbiased advice. This includes relationships with third parties, compensation arrangements, and any other factors that could influence the adviser's recommendations.
  - **Custody Disclosures:** Custody of Client Assets. Brady Investment Counsel does not and will not hold, keep, or custody client assets. The client is responsible for maintaining and monitoring their account through the custodian of their choice. There are many highquality custodians. Brady clients typically use Charles Schwab & Co., Inc.

## 9. Individual Registration and Licensing

### 9.1 Initial Registration:

- Form U4: Each individual who acts as an investment adviser representative (IAR) must file Form U4 (Uniform Application for Securities Industry Registration or Transfer) through the Central Registration Depository (CRD) system. This form collects personal information, employment history, and disclosure information about the individual. Brady does not currently employ an IAR, so no one at the firm has a U4 on file.
- Examinations: Depending on state requirements, individuals might need to pass certain exams, such as the Series 65 (Uniform Investment Adviser Law Examination) or the Series 66 (Uniform Combined State Law Examination) in conjunction with the Series 7 (General Securities Representative Exam). No Brady employee holds any of these designations.

### 9.2 Ongoing Compliance:



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- Continuing Education: Investment Adviser Representatives (IARs) must complete continuing education requirements to stay current with industry practices and regulatory changes. This often includes but is not limited to annual or biennial online training sessions.
- Amendments to Form U4: Any changes to the information on Form U4, such as changes in employment or disciplinary actions, must be promptly updated in the CRD system.

### 9.3 State-Specific Requirements:

- State Registration: Brady Investment Counsel LLC is currently an Illinois State registered and subject to their rules and regulations.
- For up-to-date Illinois Investment Adviser policy, see the following link:  
[https://www.ilsos.gov/departments/securities/investment\\_advisers/home.html](https://www.ilsos.gov/departments/securities/investment_advisers/home.html).

### 9.4 Recordkeeping:

- Documentation: Brady attempts to maintain records of all registration and licensing documents, including Form U4 filings, exam results, and continuing education certificates.
- Compliance Audits: Brady periodically audits individual registrations and licensing records to ensure compliance with regulatory requirements.

### 9.5 Reporting Obligations:

- Annual Renewals: Brady should ensure timely renewal of individual registrations and licenses, typically annually. This may involve paying renewal fees and updating any required information.
- Disclosures: Brady should report any disciplinary actions, criminal charges, or other significant events that may affect an individual's registration status. **9. Disclosure Accuracy**

### 9.1. Initial Disclosures:





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- Form ADV: Brady aims to report accurately, completely, and up-to-date information provided in Form ADV (Parts 1 and 2). This includes details about the firm's services, fees, disciplinary history, and conflicts of interest.
- Client Agreements: Brady client agreements, or Investment Management Agreements (IMA), outline terms, conditions, and disclosures in client agreements. We aim to ensure each client understands the services provided, fees charged, and any potential conflicts of interest. Any differences between the IMA and our Compliance are unintentional. If found, please contact Brady immediately to make the two documents consistent.

### 9.2 Ongoing Updates:

- Regular Reviews: Brady reviews all disclosure documents to ensure they remain accurate and reflect any changes in the firm's operations, services, or regulatory requirements.
- Timely Amendments: Promptly file amendments to Form ADV and other disclosure documents whenever there are material changes, such as changes in ownership, services, or disciplinary actions.

### 9.3. Internal Controls:

- Compliance Checks: Implement internal controls to verify the accuracy of disclosures before they are provided to clients or filed with regulatory bodies. This may include cross-checking information with other internal records and conducting periodic audits.
- Training: Regularly training staff on the importance of accurate disclosures and the procedures for maintaining and updating disclosure documents.

### 9.4. Client Communication:



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- Clear and Transparent: Brady will ensure all communications with clients are clear, transparent, and free from misleading information. This includes marketing materials, performance reports, and other client-facing documents.
- Disclosure of Conflicts: Disclose any conflicts of interest and how they are managed. This will help clients make informed decisions and build trust.

### 9.5. Recordkeeping:

- Documentation: Brady will maintain thorough records of all client disclosures, including copies of Form ADV, client agreements, and any amendments. This helps demonstrate compliance during regulatory examinations.
- Audit Trails: Keep detailed audit trails of any changes made to disclosure documents, including who made the changes and when.

## 10. Portfolio Management Process

### 10.1. Planning

- Assess Financial Situation: Evaluate the investor's current financial status, including income, expenses, assets, and liabilities.
- Set Goals: Define clear, measurable financial goals, such as retirement, education funding, or purchasing a home.
- Determine Risk Tolerance: Assess the investor's willingness and ability to take on risk, considering factors like investment horizon and financial stability<sup>1</sup>.

### 10.2. Asset Allocation

- Diversification: When appropriate, spread investments across different asset classes (e.g., stocks, bonds, real estate) to reduce portfolio volatility.



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- Strategic Allocation: Establish a long-term asset allocation strategy based on the investor's goals and risk tolerance.
- Tactical Allocation: Make short-term adjustments to the asset mix to take advantage of market opportunities.

### 10.3. Security Selection

- Research and Analysis: Conduct thorough research to identify securities (e.g., stocks, bonds) that fit the portfolio's strategy.
- Fundamental Analysis: This involves evaluating a security's intrinsic value based on financial statements, industry conditions, and economic factors.
- Technical Analysis: Analyze price patterns and market trends to make investment decisions.

### 10.4. Implementation

- Execution: Buy and sell securities to build the portfolio according to the asset allocation plan.
- Cost Management: Minimize transaction costs and taxes to maximize net returns.

### 10.5. Monitoring and Rebalancing

- Performance Review: Regularly review the portfolio's performance against benchmarks and goals.
- Rebalancing: Adjust the portfolio periodically to maintain the desired asset allocation. This may involve selling overperforming assets and buying underperforming ones.
- Risk Management: Continuously assess and manage risks to ensure the portfolio remains aligned with the investor's risk tolerance.

### 10.6. Reporting and Communication



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- **Regular Updates:** Provide clients with regular updates on portfolio performance, including detailed performance reports and statements. Encourage clients to review and question custodian statements.
- **Client Meetings:** Schedule periodic meetings to review the portfolio, discuss any changes in the client's financial situation, and adjust the strategy as needed. **11. Trading Practices**

### 11.1. Best Execution:

- **Obligation:** As a fiduciary, Brady will endeavor to ensure that all client trades are executed at the best possible terms, considering price, speed, and likelihood of execution.
- **Broker Selection:** Select brokers and regularly review their performance to ensure they provide best execution.

### 11.2. Trade Allocation:

- Brady will make trades on a client-by-client basis where possible to avoid allocation.
- **Fair Allocation:** Implement policies to ensure trades are allocated fairly and equitably among clients. Avoid practices like cherry-picking, where favorable trades are disproportionately allocated to specific accounts.
- **Disclosure:** Fully disclose trade allocation practices in Form ADV and ensure clients understand how trades are allocated.

### 11.3. Unauthorized Trading:

- **Prevention:** Brady will attempt to implement strong policies to prevent unauthorized trading, such as trading without client consent or exceeding risk limits. Brady will trade with the client's consent. Client custodians should also limit unauthorized trading risk, as should the client, by protecting their accounts to the maximum extent made available by their custodian.



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- Detection: Use heightened oversight and red flag identification to detect unauthorized trading activities. Brady will monitor accounts but also expects the client to do the same. Clients should contact Brady immediately if unusual trading occurs in their accounts.

### 11.4. Prohibited Practices:

- Front Running: Brady will prohibit trading before client orders to take advantage of anticipated market movements.
- Insider Trading: Establish strict policies to prevent trading based on non-public material information.

### 11.5. Error Handling:

- Notification: Brady will contact the client for errors causing a material change to their account. Before reporting, Brady will Client Brady will work with the custodian on the client's behalf to rectify the error.
- Resolution: Work with the client custodian to reverse trades made in error. Mediate client losses. Use a third-party mediator if necessary.

### 11.6. Recordkeeping:

- Documentation: Brady will seek to maintain detailed records of all trades, including the rationale for trade decisions and allocation. Maintaining access to client accounts through the client custodian meets this requirement.
- Audit Trails: Rely on custodian records for comprehensive audit trails to track changes and decisions related to trading activities.

### 11.7. Client Communication:



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- **Transparency:** Brady will try to communicate clearly and transparently with clients about trading practices, including any potential conflicts of interest.
- **Regular Updates:** Provide clients with regular updates on their portfolio performance and any significant trading activities.

### 12. Client Asset Valuation

#### 12.1. Valuation Policies and Procedures:

- **Establish Clear Policies:** Brady will develop and document clear policies for valuing different types of assets, including equities, fixed income, derivatives, and alternative investments<sup>1</sup>.
- **Consistent Methodologies:** Use consistent and appropriate valuation methodologies for each asset class. This may include market prices, appraisals, or models.

#### 12.2. Third-Party Valuation:

- **Use of External Services:** Brady will attempt to engage third-party valuation services or custodians to provide independent valuations. This helps ensure objectivity and accuracy.
- **Due Diligence:** Conduct thorough due diligence on third-party providers to ensure they are competent and reliable.

#### 12.3. Internal Controls:

- **Segregation of Duties:** Implement segregation of duties to prevent conflicts of interest. For example, the person responsible for trading should not be the same person responsible for valuation. Brady has one employee involved in each, making this impossible until our employee base grows.
- **Regular Reviews:** Conduct regular reviews and audits of valuation processes to ensure policy compliance and identify discrepancies.



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## 12.4. Fair Value Hierarchy:

- Level 1: Assets with quoted prices in active markets for identical assets.
- Level 2: Assets with observable inputs other than quoted prices, such as those for similar assets or market-corroborated inputs.
- Level 3: Assets with unobservable inputs, requiring significant judgment or estimation<sup>1</sup>.

## 12.5. Disclosure and Transparency:

- Client Reporting: Provide clients with clear and transparent reports on the valuation of their assets. Include explanations of the methodologies used and any significant assumptions or estimates.
- Regulatory Reporting: Ensure accurate and timely reporting to regulatory bodies, including any required disclosures about valuation practices.

## 12.6. Handling Discrepancies:

- Investigation: Promptly investigate any discrepancies or anomalies in asset valuations. Determine the cause and take corrective action as needed.
- Client Communication: Communicate any significant valuation issues to clients and the steps taken to resolve them.

## 13. Fee Structures

### 13.1. Assets Under Management (AUM):

- Percentage-Based Fees: Brady employs a fee structure in which our firm charges a percentage of the assets it manages. This typically ranges from 0.25% to 2% annually.



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- Tiered Fees: Fees may decrease as the amount of assets under management increases. For example, 1% for the first \$1 million, 0.75% for the next \$4 million, and so on. Brady does not use tiered fees

### 13.2. Hourly Fees:

- Consultation-Based: Brady may charge an hourly rate for specific services or consultations. Rates typically range from \$300 to \$3,500 per hour.
- Ad Hoc Services: Useful for clients who need occasional advice rather than ongoing management.

### 13.3. Fixed Fees:

- Project-Based: A one-time fee for specific services, such as creating a financial plan. These fees can range from \$1,000 to \$3,000, depending on the complexity of the service.
- Flat Annual Fees: Brady may charge a flat annual fee for ongoing services, regardless of the amount of assets managed. Any such fees will be agreed upon in advance with the client.

### 13.4. Performance-Based Fees:

- Incentive Fees: Brady could charge a fee based on the performance of the client's portfolio, often a percentage of the profits. This structure aligns the adviser's interests with the client's performance goals but must comply with regulatory requirements. Brady does not currently use performance-based fees.

### 13.5.0 Commissions:

- Product-Based: Brady does not earn commissions from the sale of financial products.





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## **14. Fee Disclosure and Transparency**

### 14.1. Clear Communication:

- Client Agreements: Brady will attempt to outline all fees in client agreements, including how and when they will be charged.
- Form ADV: Disclose all fee structures and potential conflicts of interest in Form ADV, which must be provided to clients.

### 14.2. Regular Updates:

- Fee Statements: Fee statements are included in custodian statements. Clients are responsible for ensuring the accuracy of the fees charged. The client should immediately notify Brady if they believe the account is either over or undercharged the agreed-upon fee.
- Annual Reviews: Conduct annual reviews of fee structures to ensure they remain competitive and fair.

### 14.3. Conflict of Interest Management:

- Disclosure: Fully disclose any potential conflicts of interest related to fee structures, such as commissions or performance-based fees.
- Mitigation: Implement policies to mitigate conflicts of interest, ensuring that client interests are always prioritized.

## **15. Use of Solicitors**

### 15.1. Solicitor Agreements:



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- **Written Agreements:** Brady may or may not establish written agreements with all solicitors. These agreements should outline the terms of the relationship, including the services to be provided, compensation arrangements, and compliance obligations.
- **Compliance with Regulations:** Ensure that the agreements comply with relevant regulations, such as the SEC's Rule 206(4)-3 under the Investment Advisers Act of 1940.

### 15.2. Disclosure Requirements:

- **Solicitor Disclosure Statement:** Provide clients with a solicitor disclosure statement that includes the solicitor's name, the nature of the relationship between the solicitor and the adviser, and the terms of compensation.
- **Client Acknowledgment:** Obtain a signed acknowledgment from the client confirming receipt of the solicitor disclosure statement.

### 15.3. Due Diligence:

- **Background Checks:** Conduct thorough background checks on all solicitors to ensure they have a clean regulatory history and are qualified to represent the firm.
- **Ongoing Monitoring:** Regularly monitor the activities of solicitors to ensure they comply with the firm's policies and regulatory requirements.

### 15.4. Training and Supervision:

- **Training Programs:** Provide training for solicitors on the firm's compliance policies, ethical standards, and regulatory requirements.
- **Supervision:** Implement supervisory procedures to oversee the activities of solicitors and ensure they adhere to the firm's standards.

### 15.5. Compensation Arrangements:



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- **Transparent Compensation:** Clearly outline the compensation arrangements for solicitors in the written agreement and disclosure statement. Ensure that compensation does not create conflicts of interest.
- **Compliance with Regulations:** Ensure that compensation arrangements comply with regulatory requirements, such as prohibitions on certain types of compensation (e.g., contingent fees).

### 15.6. Recordkeeping:

- **Documentation:** Maintain detailed records of all solicitor agreements, disclosure statements, client acknowledgments, and any communications with solicitors.
- **Audit Trails:** Keep comprehensive audit trails to track the activities and compensation of solicitors.

## 15. Proprietary Trading

### 16.1. Policies and Procedures:

- **Clear Guidelines:** Brady will Establish clear policies and procedures for proprietary trading activities. These should outline the types of trades allowed, risk limits, and the approval process for trades<sup>1</sup>.
- **Compliance with Regulations:** Ensure that all proprietary trading activities comply with relevant regulations, such as the Volcker Rule, which restricts certain types of proprietary trading by banks.

### 16.2. Risk Management:

- **Risk Limits:** Set strict risk limits for proprietary trading activities to prevent excessive risk-taking. This includes limits on position sizes, leverage, and overall exposure.
- **Monitoring and Reporting:** Implement robust systems for monitoring and reporting proprietary trading activities. Regularly review trading positions and performance to ensure compliance with risk limits.



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## 16.3. Conflict of Interest Management:

- Segregation of Duties: To prevent conflicts of interest, ensure that proprietary trading activities are segregated from client trading activities.
- Disclosure: Fully disclose any potential conflicts of interest related to proprietary trading in Form ADV and other client communications.

## 16.4. Best Execution:

- Obligation: Ensure that proprietary trading does not interfere with the firm's obligation to achieve the best execution for client trades.
- Trade Allocation: Implement fair trade allocation practices to ensure that proprietary trade does not disadvantage client trades.

## 16.5. Recordkeeping:

- Detailed Records: Maintain detailed records of all proprietary trading activities, including trade tickets, confirmations, and risk assessments.
- Audit Trails: Keep comprehensive audit trails to track decision-making processes and policy compliance.

## 16.6. Training and Supervision:

- Training Programs: Provide regular training for traders on the firm's proprietary trading policies, risk management practices, and regulatory requirements.
- Supervision: Implement strong supervisory procedures to oversee proprietary trading activities and ensure adherence to policies.



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## 17. Proxy Voting

### 17.1. Policies and Procedures:

- **Written Policies:** Brady will develop and implement written policies and procedures that ensure proxies are voted in clients' best interests. These policies should address how votes are cast, how conflicts of interest are managed, and how records are maintained.
- **Periodic Reviews:** Review and update proxy voting policies regularly to ensure they remain effective and aligned with regulatory requirements.

### 17.2. Disclosure Requirements:

- **Client Disclosure:** Provide clients with information about the firm's proxy voting policies and procedures, including how to obtain information on how their proxies were voted.
- **Form ADV:** Disclose proxy voting policies and procedures in Form ADV, including any potential conflicts of interest.

### 17.3. Voting Process:

- **Decision-Making:** Establish a clear process for making proxy voting decisions. This may involve a committee or designated individuals responsible for voting proxies.
- **Use of Proxy Advisory Firms:** If using proxy advisory firms, conduct due diligence to ensure they provide accurate and unbiased recommendations. Regularly review their performance and the quality of their advice.

### 17.4. Conflict of Interest Management:

- **Identify Conflicts:** Identify potential conflicts of interest that may arise in the proxy voting process, such as relationships with the companies being voted on.



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- Mitigation Strategies: Implement strategies to mitigate conflicts, such as recusal of conflicted individuals from the voting process or using independent third-party recommendations.

### 17.5. Recordkeeping:

- Documentation: Maintain detailed records of all proxy votes, including the rationale for voting decisions and any conflicts of interest identified and addressed.
- Audit Trails: Keep comprehensive audit trails to track the decision-making process and ensure policy compliance.

### 17.6. Client Communication:

- Transparency: Communicate proxy voting decisions and their rationale to clients upon request. Ensure clients understand how their proxies are being voted on and the factors considered in the decision-making process.
- Regular Updates: Provide clients with regular updates on proxy voting activities and any changes to policies or procedures.

## 18. Firm Finances

### 18.1. Financial Planning and Budgeting:

- Annual Budget: Brady will attempt to develop an annual budget that outlines expected revenues, expenses, and capital expenditures. Review and adjust the budget regularly as needed.
- Financial Projections: Create financial projections to anticipate future financial performance and identify potential challenges or opportunities.

### 18.2. Accounting and Recordkeeping:



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- **Accurate Records:** Maintain accurate and up-to-date financial records, including income statements, balance sheets, and cash flow statements.
- **Compliance with Standards:** Ensure that accounting practices comply with Generally Accepted Accounting Principles (GAAP) or International Financial Reporting Standards (IFRS), as applicable.

### 18.3. Internal Controls:

- **Segregation of Duties:** Implement internal controls to segregate duties and prevent fraud. For example, separate the responsibilities for authorizing transactions, recording transactions, and maintaining custody of assets.
- **Regular Audits:** Conduct regular internal and external audits to ensure financial integrity and compliance with regulatory requirements.

### 18.4. Cash Management:

- **Liquidity Management:** Monitor cash flow to ensure the firm has sufficient liquidity to meet its obligations. This includes managing receivables, payables, and short-term investments.
- **Bank Relationships:** Maintain strong relationships with banks and financial institutions to facilitate efficient cash management and access to credit.

### 18.5. Regulatory Compliance:

- **Capital Requirements:** Ensure the firm meets any regulatory capital requirements, such as maintaining a minimum net capital level.
- **Financial Reporting:** Submit accurate and timely financial reports to regulatory bodies, such as the SEC or state regulators.

### 18.6. Risk Management:



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- **Identify Risks:** Identify financial risks, such as market risk, credit risk, and operational risk. Develop strategies to mitigate these risks.
- **Insurance:** Obtain appropriate insurance coverage to protect the firm against potential financial losses.

### 18.7. Client Asset Management:

- **Segregation of Client Assets:** Ensure that client assets are segregated from the firm's assets to prevent commingling and protect client funds.
- **Custody Arrangements:** Use qualified custodians to hold client assets and regularly reconcile custody and firm records.

### 19. Custody of Client Assets

**It is the client's responsibility to select and monitor their custodian, who provides the only official record of their account. Any information provided by Brady concerning client accounts should be verified by double-checking their custodian statements. Client involvement in monitoring their account is essential for long-term investment success.**

#### 19.1. Definition of Custody:

- **Custody Rule:** Under the SEC's Rule 206(4)-2, custody is defined as holding, directly or indirectly, client funds or securities or having any authority to obtain possession of them.
- **Examples:** Examples of custody include having physical possession of client funds or securities, having the authority to withdraw funds or securities from client accounts, and acting in any capacity that gives access to client funds or securities.

#### 19.2. Use of Qualified Custodians:





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- **Qualified Custodians:** Client funds and securities must be maintained with a qualified custodian, such as a bank or a registered broker-dealer.
- **Segregation of Assets:** Ensure client assets are segregated from the firm's assets and held in separate accounts for each client or in accounts that contain only client funds under the adviser's name as agent or trustee.

### 19.3. Account Statements:

- **Direct Delivery:** Qualified custodians must send account statements directly to clients at least quarterly. These statements should detail all transactions and holdings in the account.
- **Adviser Statements:** If the adviser also sends account statements, they must include a legend urging clients to compare the information with the statements received from the qualified custodian.

### 19.4. Surprise Examinations:

- **Annual Audits:** Brady does not hold custody of client assets and accounts. Advisers with custody of client assets must undergo an annual surprise examination by an independent public accountant to verify the client assets.
- **Form ADV-E:** The independent public accountant must file Form ADV-E with the SEC upon completion of the examination.

### 19.5. Internal Controls:

- **Policies and Procedures:** Brady will attempt to implement internal controls to safeguard client assets. This includes procedures for authorizing and processing transactions, reconciling accounts, and monitoring access to client funds.
- **Training:** Regularly training employees on the firm's custody policies and procedures to ensure compliance and awareness.



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## 19.6. Disclosure and Reporting:

- Form ADV: Disclose custody arrangements in Form ADV, including any related conflicts of interest and the measures taken to mitigate them.
- Client Communication: Clearly communicate custody arrangements to clients, including the use of qualified custodians and the procedures for account statements and audits.

## 20. Client Complaints

### 19.1. Definition of a Complaint:

- Clear Definition: Brady generally defines a complaint as any written or verbal expression of dissatisfaction related to the firm's services or conduct that should be considered a complaint.

### 19.2. Complaint Handling Procedures:

- Immediate Reporting: Require all supervised persons to report any client complaints immediately to the Chief Compliance Officer (CCO) or designated compliance personnel.
- Acknowledgment: Promptly acknowledging receipt of the complaint to the client. Inform them that their concerns will be investigated and provide an estimated timeline for a response.

### 19.3 Investigation Process:

- Thorough Investigation: Conduct a thorough investigation of the complaint, gathering all relevant facts and interviewing key individuals involved.
- Documentation: Maintain detailed records of the complaint, including its nature, the investigation process, and the resolution.

### 19.4. Resolution and Response:



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- **Timely Resolution:** Aim to resolve complaints promptly and fairly. Provide the client with a clear explanation of the findings and any actions taken.
- **Client Communication:** Communicate the resolution to the client in writing, ensuring they understand the outcome and any steps to address their concerns.

### 19.5. Preventive Measures:

- **Policy Review:** Regularly review and update policies and procedures to prevent similar complaints in the future.
- **Training:** Provide ongoing training for staff on complaint handling procedures and the importance of effectively addressing client concerns.

### 19.6. Reporting and Recordkeeping:

- **Regulatory Reporting:** Report complaints to regulatory authorities as required, such as the SEC or state regulators.
- **Record Retention:** Retain all records related to client complaints for the required period, typically five years.

## 20. Safeguarding of Client Funds

### 20.1. Definition of Custody:

- **Custody Rule:** Under the SEC's Rule 206(4)-2, custody is defined as holding, directly or indirectly, client funds or securities, or having any authority to obtain possession of them.
- **Examples:** Examples of custody include having physical possession of client funds or securities, having the authority to withdraw funds or securities from client accounts, and acting in any capacity that gives access to client funds or securities.



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## 20.2. Use of Qualified Custodians:

- **Qualified Custodians:** Brady is not a qualified custodian and will not maintain client funds. Client funds and securities must be maintained with a qualified custodian, such as a bank or a registered broker-dealer.
- **Segregation of Assets:** Ensure that client assets are segregated from the firm's assets and are held in separate accounts for each client or in accounts that contain only client funds under the adviser's name as agent or trustee.

## 20.3. Account Statements:

- **Direct Delivery:** Qualified custodians must send account statements directly to clients at least quarterly. These statements should detail all transactions and holdings in the account.
- **Adviser Statements:** If the adviser also sends account statements, they must include a legend urging clients to compare the information with the statements received from the qualified custodian.

## 20.4. Surprise Examinations:

- **Annual Audits:** Advisers with custody of client assets must undergo an annual surprise examination by an independent public accountant to verify the client assets.
- **Form ADV-E:** The independent public accountant must file Form ADV-E with the SEC upon completion of the examination.

## 20.6. Internal Controls:

- **Policies and Procedures:** Implement robust internal controls to safeguard client assets. This includes procedures for authorizing and processing transactions, reconciling accounts, and monitoring access to client funds.



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- Training: Regularly training employees on the firm's custody policies and procedures to ensure compliance and awareness.

### 20.7. Disclosure and Reporting:

- Form ADV: Disclose custody arrangements in Form ADV, including any related conflicts of interest and the measures taken to mitigate them.
- Client Communication: Communicate custody arrangements to clients, including using qualified custodians and the procedures for account statements and audits.

## 21. Privacy of Client Information

### 21.1. Privacy Policies and Procedures:

- Written Policies: Brady compiled a written Privacy Policy statement. Our ambition is to develop and implement written privacy policies and procedures that comply with the Gramm-LeachBliley Act (GLBA) and Regulation S-P. These policies address how client information is collected, used, and protected.
- Client Notice: Brady will provide clients with a clear, conspicuous, and accurate privacy notice at the time of establishing the advisory relationship and annually thereafter. This notice should describe the types of nonpublic personal information collected, how it is used, and the circumstances under which it may be disclosed.

### 21.2. Opt-Out Rights:

- Opt-Out Mechanism: Offer clients the right to opt out of certain disclosures of their nonpublic personal information to non-affiliated third parties. Ensure that the opt-out mechanism is easy to understand and use.
- Tracking Opt-Outs: Maintain records of clients who have opted out and ensure their preferences are honored in all data handling practices.



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## 21.3. Information Security Program:

- **Safeguards:** Implement administrative, technical, and physical safeguards to protect the confidentiality, integrity, and security of client information. This includes measures to prevent unauthorized access, use, or disclosure.
- **Incident Response:** Develop an incident response program to address unauthorized access to client information. This should include procedures for notifying affected clients and regulatory authorities in the event of a data breach.

## 21.4. Employee Training and Supervision:

- **Training Programs:** Provide regular training for employees on the firm's privacy policies and procedures, emphasizing the importance of protecting client information.
- **Supervision:** Implement supervisory procedures to ensure employees comply with privacy policies and handle client information appropriately.

## 21.5. Third-Party Service Providers:

- **Due Diligence:** Conduct due diligence on third-party service providers to ensure they have adequate safeguards in place to protect client information.
- **Contractual Obligations:** Include privacy and security requirements in contracts with third-party service providers to ensure they comply with the firm's privacy policies.

## 21.6. Recordkeeping and Reporting:

- **Documentation:** Maintain detailed records of privacy policies, client notices, opt-out requests, and any incidents involving unauthorized access to client information.
- **Regulatory Reporting:** Report any significant breaches of client information to regulatory authorities as required by law.

## **22. Information Security Procedures**



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## 22.1. Risk Assessment:

- **Identify Risks:** Brady will conduct regular risk assessments to identify potential threats to the firm's information systems and client data. This includes evaluating risks associated with service providers.
- **Vulnerability Analysis:** Perform vulnerability assessments to identify weaknesses in the firm's information systems that cyber threats could exploit.

## 22.2. User Security Controls:

- **Access Controls:** Implement strict access controls to limit user access to sensitive information based on their roles and responsibilities.
- **Authentication:** Use multi-factor authentication (MFA) to enhance security for accessing information systems.

## 22.3. Information Monitoring and Protection:

- **Monitoring Systems:** Deploy monitoring systems to detect and respond to unauthorized access or suspicious activities in real-time.
- **Data Encryption:** Encrypt sensitive data both in transit and at rest to protect it from unauthorized access.

## 22.4. Threat and Vulnerability Management:

- **Regular Updates:** Ensure that all software and systems are regularly updated with the latest security patches and updates.
- **Intrusion Detection:** Implement intrusion detection and prevention systems (IDPS) to identify and mitigate potential threats.



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## 22.6. Incident Response Plan:

- Response Procedures: Develop and implement an incident response plan to detect, respond to, and recover from cybersecurity incidents.
- Communication Plan: Establish a communication plan to notify affected clients and regulatory authorities in the event of a data breach.

## 22.8. Training and Awareness:

- Employee Training: Regularly training employees on information security policies, procedures, and best practices.
- Phishing Awareness: Conduct phishing awareness campaigns to educate employees about recognizing and avoiding phishing attacks.

## 22.9. Review and Approval:

- Annual Review: Conduct an annual review of the information security policies and procedures to ensure they remain effective and reflect changes in cybersecurity risks.
- Board Approval: The firm's management committee must approve the information security policies and procedures.

## 22.10. Recordkeeping and Reporting:

- Documentation: Maintain detailed records of all information security policies, risk assessments, incident response activities, and training programs.
- Regulatory Reporting: Report significant cybersecurity incidents to regulatory authorities as required.





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## **23. Protection of Vulnerable Clients**

### 23.1. Identification of Vulnerable Clients:

- **Proactive Identification:** Brady will endeavor to train staff to recognize signs of vulnerability, such as cognitive decline, mental health challenges, significant life transitions, financial literacy gaps, and physical health conditions.
- **Screening Tools:** Use standardized assessments and questionnaires during client onboarding and regular reviews to identify potential vulnerabilities.
- **Consistent Assessment:** Ensure all clients are assessed consistently to identify vulnerabilities.

### 23.2. Enhanced Communication Strategies:

- **Clear Language:** Use concise language and avoid jargon when communicating with vulnerable clients.
- **Visual Aids:** Utilize charts, diagrams, and other visual aids to help clients understand complex information.
- **Multiple Channels:** Offer various communication options, such as video conferencing, phone calls, emails, and written summaries, to accommodate different preferences and abilities.
- **Active Listening:** Create a safe space for clients to express their concerns and ask questions. Practice active listening and demonstrate empathy.

### 23.3. Support and Safeguards:

- **Tailored Support:** Provide tailored support based on the specific needs of vulnerable clients. This may include simplifying financial plans, offering additional explanations, or involving trusted family members or advisors.



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- **Trusted Contact Person:** Encourage clients to designate a trusted contact person who can be involved in their financial decisions if needed.
- **Holistic Advice:** Offer holistic wealth planning advice that considers the client's overall wellbeing, not just their financial situation.

### 23.4. Documentation and Reporting:

- **Thorough Documentation:** Document all interactions with vulnerable clients, including the identification process, support provided, and any changes in their circumstances.
- **Regulatory Reporting:** Report any significant issues related to vulnerable clients to regulatory authorities as required.

### 23.5. Training and Awareness:

- **Regular Training:** Provide regular training for staff on how to identify and support vulnerable clients. This includes understanding the nuances of vulnerability and the importance of empathy and patience.
- **Awareness Campaigns:** Conduct awareness campaigns to educate staff and clients about the importance of protecting vulnerable individuals.

## 24. Business Continuity

### 24.1. Risk Assessment and Business Impact Analysis:

- **Identify Risks:** Brady will conduct a thorough risk assessment to identify potential threats to our firm's operations, such as natural disasters, cyber-attacks, and pandemics.
- **Impact Analysis:** Perform a business impact analysis to determine the potential effects of these risks on critical business functions and processes.

### 24.2. Business Continuity Plan Development:



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- **Written Plan:** Develop a written BCP that outlines the procedures for maintaining and restoring business operations during and after a disruption.
- **Key Components:** Include key components such as emergency response, crisis management, communication plans, and recovery strategies.

### 24.3. Emergency Response and Crisis Management:

- **Emergency Procedures:** Establish clear procedures for responding to emergencies, including evacuation plans, emergency contacts, and first aid.
- **Crisis Management Team:** Form a crisis management team responsible for coordinating the response to a disruption and making critical decisions.

### 24.4. Communication Plan:

- **Internal Communication:** Develop a plan for communicating with employees during disruption, including methods for disseminating information and updates.
- **External Communication:** Establish communication procedures with clients, regulators, and other stakeholders. Ensure that clients are informed about the status of their accounts and any changes to services.

### 24.5. Data Backup and Recovery:

- **Data Backup:** Implement regular data backup procedures to ensure that critical information is protected and can be restored in the event of a disruption.
- **Recovery Strategies:** Develop strategies for recovering data and systems, including the use of off-site backups and cloud services.

### 24.6. Testing and Maintenance:



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- **Regular Testing:** Conduct regular tests of the BCP to ensure its effectiveness and identify any areas for improvement.
- **Plan Updates:** Review and update the BCP regularly to reflect changes in the business environment, technology, and regulatory requirements.

## 24.7. Training and Awareness:

**Employee Training:** Regularly training employees on the BCP, including their roles and responsibilities during a disruption.

**Awareness Programs:** Conduct awareness programs to ensure that all employees understand the importance of business continuity and are prepared to respond effectively.

## 25. Compliance Handbook Development Sources

Our Compliance Handbook was developed using web-based tools and sources and is believed to be accurate and far-reaching. Our clients are encouraged to monitor their accounts and our work closely. It is incumbent on our clients to ask questions and report discrepancies in all matters related to managing their accounts.

## 26. Conclusion

By adhering to these policies, Brady Investment Counsel LL strives to maintain a culture of compliance and integrity, elevating our clients' trust and confidence. However, it is the client's money, and it is up to them to be the primary account watchdog and immediately bring all concerns and questions to Brady

for the best resolution, as no one procedure manual can possibly encompass all the situations unique to our clients.



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One last point. We tried to make our Compliance Manual easy to comprehend for both Brady employees and clients. We reiterate that Brady relied heavily on the Internet to compile this document. It is in no way intended to be an original work. Please contact the firm for a source referral.

Cordially,

*David P. Brady*

David P. Brady, CFA  
Chief Investment Officer