

# MARSHALL & SULLIVAN

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REGISTERED INVESTMENT ADVISOR

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

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03/18/2020

This brochure provides information about the qualifications and business practices of Marshall & Sullivan, Inc. If you have any questions about the contents of this brochure, please contact us at 206-621-9014 or [greg@msinvest.com](mailto:greg@msinvest.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Registration with the SEC or with any state securities authority does not imply a certain level of skill or training.

Additional information about Marshall & Sullivan, Inc. also is 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 105168

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## **Item 2           Material Changes**

The SEC adopted "Amendments to Form ADV" in July of 2010. This updated Firm Brochure, dated 01/23/2020, is our latest disclosure document prepared in accordance with the SEC's most recent reporting requirements.

Any material change at Marshall & Sullivan are required to be disclosed in this document. A material change includes most items disclosed on this form, such as a change in investment advisor services, advisory fee arrangements, relationships with related persons, changes to advisory personnel, and changes to the organization.

According to the definition above there has been a material change contained in this ADV compared to our ADV filed in January of 2019. Ron Marshall is no longer employed by Marshall & Sullivan. This will not change the way Marshall & Sullivan manages accounts.

Consistent with the SEC requirements, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

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#### **Item 4            Advisory Business**

Marshall & Sullivan, Inc. is an SEC-registered investment adviser with its principal place of business located in Washington. Marshall & Sullivan, Inc. began conducting business in 1981.

Listed below are the firm's principal shareholders (i.e., those individuals and/or entities controlling 25% or more of the company).

- Ronald E Marshall

Marshall & Sullivan, Inc. offers the following advisory services to our clients:

#### **INVESTMENT SUPERVISORY SERVICES ("ISS") INDIVIDUAL PORTFOLIO MANAGEMENT**

Our firm provides continuous advice to a client regarding the investment of client funds based on the individual needs of the client. Discussions are held with the client in which goals and objectives, based on a client's particular circumstances, are established. We may assist a client with developing a personal investment policy and create and manage a portfolio based on that policy. During our data-gathering process, we determine the client's individual objectives, time horizons, risk tolerance, and liquidity needs. When appropriate, we also review and discuss a client's prior investment history, as well as family composition and background.

We manage these advisory accounts on a discretionary basis. Account supervision is guided by the client's stated objectives (i.e., growth, moderate growth, income, growth and income or moderate growth and income), as well as tax considerations.

Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors.

Our investment recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company and will generally include advice regarding the following securities:

- Exchange-listed Securities
- Securities traded over-the-counter
- Foreign issuers
- Warrants
- United States governmental securities
- Commercial paper
- Certificates of deposit
- Municipal securities
- Mutual fund shares
- Options contracts on securities
- Corporate debt securities (other than commercial paper)
- Exchange Traded Funds (ETF)

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

#### **PRIVATE FUND MANAGEMENT AND ADVISORY SERVICES**

Our affiliate, MSFM LLC, serves as the Manager of and investment advisor to Private Funds (the "Funds"). Interests in the Funds are privately offered to investors who meet certain minimum qualifications.

We make all investment decisions on behalf of the Funds and our primary responsibility is to oversee, and select investments that can achieve the Fund's investment objective. MSFM LLC also provides certain administrative and management services to the Funds.

We do not tailor the advisory services provided to the Funds to the individual needs of investors in the Fund. We tailor our advisory services to the specific investment objectives, guidelines and restrictions set forth in the Funds' private placement memorandums, operating agreements, and subscription agreement (collectively, the "governing documents").

### **AMOUNT OF MANAGED ASSETS**

As of December 31, 2019, Marshall & Sullivan manages approximately \$349,088,000 of client assets. Included in the discretionary asset total is \$22,570,000 in value of private equities, real estate and lending investments held in private fund investments. As described in the following section on valuation, investment vehicles such as private equities, real estate and lending, may not reflect their true fair market value.

## **Item 5 Fees and Compensation**

### **INVESTMENT SUPERVISORY SERVICES INDIVIDUAL PORTFOLIO MANAGEMENT FEES**

Our annual fees for Investment Supervisory Services are based upon a percentage of assets under management and generally range from 0.50% to 1.00%.

Limited Negotiability of Advisory Fees: Although Marshall & Sullivan, Inc. has established the aforementioned fee schedule(s), we retain the discretion to negotiate alternative fees on a client-by-client basis. Client facts, circumstances and needs will be considered in determining the fee schedule. These include the complexity of the client, assets to be placed under management, anticipated future additional assets; related accounts; portfolio style, account composition, reports, among other factors. The specific annual fee schedule will be identified in the contract between the adviser and each client.

We may group certain related client accounts for the purposes of achieving the minimum account size requirements and determining the annualized fee.

Discounts, not generally available to our advisory clients, may be offered to family members and friends of associated persons of our firm.

### **PRIVATE FUND MANAGEMENT FEES**

Some of the Funds managed by MSFM LLC pay Management Fees and some pay Performance Fees.

Management Fees: MSFM LLC as manager of Fresno Tucson Retirement Investors LLC, Gateway Center Investors LLC, Lakeside Aggressive Growth Fund LLC, Lakeside Income & Growth and Real Estate investment Opportunities LLC, receives an annual management fee of one percent (1%) of the value of the Fund's assets. The Management Fee is based on the value of the fund's assets as of the last day of each month during each calendar year. (Please refer to the description of our Valuation of Real Estate and Lending Investments below.) The Management fee shall be prorated for partial years. The management fee shall be payable before distributions to the Members, but not less frequently than annually; provided that

MSFM LLC determines, in its sole discretion, that the Fund does not have sufficient cash or other assets to pay to the Management Fee at any time, the Management Fee shall accrue without interest and be paid as soon as determined by MSFM LLC, in its sole discretion.

We may reduce, rebate, waive, assign or otherwise share the Management Fee, at our sole discretion, for certain investors (including our related persons), without providing notice to or obtaining the consent of any other Fund investor.

**Performance Fee Allocation:** MSFM LLC as manager of Southwest Land Development is entitled to receive a Performance Allocation (“performance allocation” or “incentive allocation” or “performance fee”). A performance fee is paid to MSFM LLC when distributions from the fund to fund investors exceed a stated return. The performance fee and stated return are described in the fund’s offering documents. Distributions are at the sole discretion of MSFM LLC. Once the Fund Members have received a preferred rate of return on the outstanding balance of the Members unreturned capital (stated return), MSFM LLC will receive a proportion of any additional distribution made. Please refer to the governing document for how this calculation is made.

We may, at our sole discretion, elect to reduce, rebate, waive, assign or otherwise share the incentive allocation with respect to any Fund investor (including our related persons), without providing notice to or obtaining the consent of any other Fund investor.

**Fund Expenses:** In addition to the Management Fees and Performance-based compensation described above, some Funds (and, indirectly, the investors in the Fund) will pay expenses and other fees as specifically disclosed in the Funds’ governing documents, as summarized below. The Funds will pay its own start-up, offering and organizational expenses, such as the cost of preparing the Funds’ Private Placement Memorandum and Limited Partnership Agreement, the costs of negotiating initial agreements with service providers, and other related legal, accounting, and administrative expenses. On an ongoing basis, the Fund will bear its transaction (e.g., brokerage commissions), administrative, custody, legal (including, without limitation, with respect to any blue sky, Form D and Form PF filings), regulatory and compliance (including, without limitation, filing fees and corporate fees payable to governments and agencies), tax preparation, trading systems, accounting systems, investor reporting, valuation agent and appraisal fees and expenses; expenses for research-related services and products; travel expenses incurred in connection with investment due diligence; insurance (including liability insurance for Marshall & Sullivan and MSFM) and accounting and audit expenses; any expenses for services that the Limited Partners require Marshall & Sullivan and MSFM to obtain; and any other fees or expenses of the Fund that, in the discretion of MSFM, are reasonably incurred in connection with the business or maintenance of the Fund.

## **GENERAL INFORMATION**

***Termination of the Advisory Relationship:*** A client agreement may be canceled at any time, by either party, for any reason upon receipt of 30 days written notice. As disclosed above, certain fees are paid in advance of services provided. Upon termination of any account, any prepaid, unearned fees will be promptly refunded. In calculating a client’s reimbursement of fees, we will pro rate the reimbursement according to the number of days remaining in the billing period.

***Mutual Fund, Private Fund & ETF Fees:*** All fees paid to Marshall & Sullivan, Inc. for investment advisory services are separate, distinct, and in addition to the fees and expenses charged by mutual funds, Private Funds and/or ETFs to their shareholders. Advisory clients invested in Fresno Tucson Retirement Investors LLC, Gateway Center Investors LLC, Lakeside Aggressive Growth Fund LLC, Lakeside Income & Growth LLC or Real Estate investment Opportunities LLC in a taxable account pay both a Marshall & Sullivan advisory fee and a MSFM LLC fund management fee. Advisory clients invested in Southwest

Land Development LLC, in a taxable account pay both a Marshall & Sullivan advisory fee and a MSFM LLC performance fee. A performance fee is paid to MSFM LLC when distributions from the fund to fund investors exceed a stated return. The performance fee and stated return are described in the funds' offering documents. This additional compensation (fund management fees or performance fees) creates a financial incentive to recommend that a Client purchase or retain a Fund Managed by our wholly owned subsidiary MSFM, LLC based on our compensation rather than on a client's needs or best interests. These fees and expenses are described in each fund's prospectus or LLC agreement. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a 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 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.

***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. These including, but are not limited to, any transaction charges imposed by a broker dealer with which an independent investment manager effects transactions for the client's account(s). Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information.

***If applicable:*** Grandfathering of Minimum Account Requirements: Pre-existing advisory clients are subject to Marshall & Sullivan, Inc.'s minimum account requirements and advisory fees in effect at the time the client entered into the advisory relationship. Therefore, our firm's minimum account requirements will differ among clients.

***ERISA:*** Accounts: Marshall & Sullivan, Inc. is deemed to be a fiduciary to advisory clients that are employee benefit plans or individual retirement accounts (IRAs) pursuant to the Employee Retirement Income and Securities Act ("ERISA"). As such, our firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, Marshall & Sullivan, Inc. may only charge fees for investment advice about products for which our firm and/or our related persons do not receive any commissions or 12b-1 fees, or conversely, investment advice about products for which our firm and/or our related persons receive commissions or 12b-1 fees, however, only when such fees are used to offset Marshall & Sullivan, Inc.'s advisory fees.

***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.

***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.

***Valuation of Real Estate in Private Funds:*** The LLCs are investment vehicles designed to allow Clients access to real estate and securitized lending. These LLCs are privately issued securities and not publically traded. As the LLC interests are not publically traded, they are illiquid and might not be valued by the issuer or the Client's independent qualified custodian. If no other value is available, it is the Adviser's policy to use the Client's initial investment as the value for reporting and billing. The actual value of the LLC interests may be higher or lower than the value used in reports and for billing purposes. Therefore the management fee related to the asset will be higher or lower than it would have been had an actual fair market value been available and used.

In situations where, in MSFM’s opinion, the original investment value is materially greater than or less than the current fair value of the securities, MSFM may but is not obligated to, increase or decrease the value of the investment’s “fair value” on its books for reporting and billing purposes. MSFM’s “fair value” is only an estimate based upon variables including the investment’s sector within the economy, current and estimated economic conditions, income, and occupancy levels among other factors. MSFM’s estimate is not a guarantee of value or offer to purchase any security. In situations where MSFM “fair values” a security for billing purposes, their compensation is determined in part by that valuation. MSFM then has a financial incentive to value a security at a higher value. This financial incentive creates a conflict of interest between the Client and the Adviser wherein the Client and the Adviser’s interests might not be aligned.

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

MSFM, LLC as the manager of Southwest Land Development MSFM, LLC is entitled to receive a Performance Allocation (“performance allocation” or “incentive allocation” or “performance fee”). A performance fee is paid to MSFM LLC when distributions from the fund to Fund investors exceed a stated return. The performance fee and stated return are described in the fund’s offering documents and vary between funds.

Investors and prospective investors are urged to review the Fund’s governing documents as well as this brochure for complete information on the fees, compensation and expenses payable by investors in the Fund.

Because of the performance fee portion of our compensation, we have a financial incentive to make riskier investments than we might otherwise. This incentive creates a potential conflict of interest between us. Because all of our clients don’t pay a performance fee, we have the incentive to favor performance based fee accounts when allocating investment opportunities. We have policies to allocate investment opportunities among all our clients on a fair and equitable basis.

## **Item 7 Types of Clients**

Marshall & Sullivan, Inc. provides advisory services to the following types of clients:

- Individuals (other than high net worth individuals)
- High net worth individuals
- Charitable organization
- Corporations or other businesses not listed above
- Pooled Investment Vehicles

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

### **METHODS OF ANALYSIS**

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

***Fundamental Analysis:*** We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell).

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.

**Qualitative Analysis:** We subjectively evaluate non-quantifiable factors such as quality of management, labor relations, and strength of research and development factors not readily subject to measurement, and predict changes to share price based on that data. A risk to using qualitative analysis is that our subjective judgment may prove incorrect.

**Asset Allocation:** Rather than focusing primarily on securities selection, we attempt to identify an appropriate ratio of securities, fixed income, and cash suitable to the client's investment goals and risk tolerance.

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.

**Mutual Fund and/or ETF Analysis:** We look at the experience and track record of the manager of the mutual fund or ETF 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.

## 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.
- We want exposure to a asset class over time, regardless of this asset classes current projection.



A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantages 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.

***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.

***Risks:*** As with any investment, you could lose all or part of your investments managed by Marshall & Sullivan, and your account's performance could trail that of other investments.

***Asset Class Risk:*** Securities in your portfolio(s) or in underlying investments such as mutual funds may underperform in comparison to the general securities markets or other asset classes.

***Concentration Risk:*** To the extent that we recommend portfolio allocations that are concentrated in a particular market, industry or asset class, your portfolio may be susceptible to loss due to adverse occurrences affecting that market, industry, or asset class.

***Equity Securities Risk:*** Equity securities are subject to changes in value that may be attributable to market perception of a particular issuer or general stock market fluctuations that affect all issuers. Investments in equity securities may be more volatile than other types of investments.

***Issuer Risk:*** Your account's performance depends on the performance of individual securities in which your account invests. Any issuers may perform poorly, causing the value of its securities to decline. Poor performance may be caused by poor management decisions, competitive pressures, changes in technology, disruptions in supply, labor problems or shortages, corporate restructurings, fraudulent disclosures, or other factors. Changes to the financial condition or credit rating of an issuer of those securities may cause the value of the securities to decline.

***Management Risk:*** The performance of your account is subject to the risk that our investment management strategy may not produce the intended results.

***Market Risk:*** Your account could lose money over short periods due to short-term market movements and over longer periods during market downturns. The value of a security may decline due to general market conditions, economic trends, or events that are not specifically related to the issuer of the security or to factors that affect a particular industry or industries. During a general downturn in the securities markets, multiple asset classes may be negatively affected.

***Liquidity Risk*** A security may not be able to be sold at the time desired without adversely affecting the price. This is especially true of privately issued securities where a secondary market will generally not exist.

## **Item 9           Disciplinary Information**

We are required to disclose all 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 management personnel have no reportable disciplinary events to disclose.

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

MSFM LLC a wholly owned subsidiary of Marshall & Sullivan, Inc. is a Delaware limited liability company and the Manager of Private Funds. Marshal & Sullivan, Inc., (filing advisor), MSFM LLC (relying

advisor) have filed a single Form ADV Part 1A where the Marshall & Sullivan and the relying advisor collectively conduct a single advisory business if and when providing investment advisory services to private fund investment vehicles that require an investment advisor's involvement.

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

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct. We require our employees to comply with applicable federal securities laws.

Marshall & Sullivan, Inc. and our personnel owe a duty of loyalty, fairness and good faith towards our clients. We 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.

Our Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's access persons. Our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our code also provides for oversight, enforcement and recordkeeping provisions.

Marshall & Sullivan, Inc.'s Code of Ethics further 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.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by emailing [greg@msinvest.com](mailto:greg@msinvest.com), or by calling us at 206-621-9014.

Marshall & Sullivan, Inc. and individuals associated with our firm are prohibited from engaging in principal transactions.

Marshall & Sullivan, Inc. and individuals associated with our firm are prohibited from engaging in agency cross transactions.

Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with making decisions in the best interest of advisory clients and implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

Our firm and/or individuals associated with our firm may buy or sell for their personal accounts securities identical to or different from those recommended to our clients. In addition, any related person(s) may have an interest or position in a certain security (ies) which may also be recommended to a client.

It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account this prevents such employee(s) from benefiting from transactions placed on behalf of advisory accounts.

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 and transaction costs will be shared equally and on a pro-rata basis. 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.

As these situations represent actual or potential conflicts of interest to our clients, we have established the following policies and procedures for implementing our firm's Code of Ethics. This ensure our firm complies with its regulatory obligations and provides our clients and potential clients with full and fair disclosure of such conflicts of interest:

- No principal or employee of our firm may put his or her own interest above the interest of an advisory client
- No principal or employee of our firm may buy or sell 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.
- It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account on the same day. This prevents such employees from benefiting from transactions placed on behalf of advisory accounts.
- Our firm requires prior approval for any IPO or private placement investments by related persons of the firm.
- We maintain a list of all reportable securities holdings for our firm and anyone associated with this advisory practice that has access to advisory recommendations ("access person"). These holdings are reviewed on a regular basis by our firm's Chief Compliance Officer or his/her designee.
- We have established procedures for the maintenance of all required books and records.
- Clients can decline to implement any advice rendered, except in situations where our firm is granted discretionary authority.
- All of our principals and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
- We require delivery and acknowledgement of the Code of Ethics by each supervised person of our firm.
- We have established policies requiring the reporting of Code of Ethics violations to our senior management.
- Any individual who violates any of the above restrictions may be subject to termination.

## **Item 12      Brokerage Practices**

Marshall & Sullivan, Inc. does not have any soft-dollar arrangements and does not receive any soft-dollar benefits.

Marshall & Sullivan, Inc. 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, so long as transaction costs are shared equally and on a pro-rated basis between all accounts included in any such block.

Block trading may allow us to execute equity trades in a more timely and equitable manner, at an average share price. Marshall & Sullivan, Inc. will typically aggregate trades among clients whose accounts can be traded at a given broker, and generally will rotate or vary the order of brokers through which it places trades for clients on any particular day. Marshall & Sullivan, Inc.'s block trading policy and procedures are as follows:

- 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 Marshall & Sullivan, Inc. or our firm's order allocation policy.
- The trading desk along with 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.

- The portfolio manager must reasonably believe that the order aggregation will benefit, and will enable Marshall & Sullivan, Inc. to seek best execution for each client participating in the 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.
- Prior to entry of an aggregated order, a written order ticket must be completed which identifies each client account participating in the order and the proposed allocation of the order, upon completion, to those clients.
- 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. 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. 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.
- 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 share in the commissions on a pro rata basis in proportion to the client's participation. Under the client's agreement with the custodian/broker, transaction costs may be based on the number of shares traded for each client.
- 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.
- Marshall & Sullivan, Inc.'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.
- Funds and securities for aggregated orders are clearly identified on Marshall & Sullivan, Inc.'s records and to the broker-dealers or other intermediaries handling the transactions, by the appropriate account numbers for each participating client.
- No client or account will be favored over another.

Marshall & Sullivan, Inc. may recommend that clients establish brokerage accounts with the Schwab Institutional division of Charles Schwab & Co., Inc. ("Schwab"), a FINRA registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Although we recommend that clients establish accounts at Schwab, it is the client's decision to custody assets with Schwab. Marshall & Sullivan, Inc. is independently owned and operated and not affiliated with Schwab.

Schwab provides Marshall & Sullivan, Inc. 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 Institutional. 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.

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.

Schwab Institutional also makes available to our firm other products and services that benefit Marshall & Sullivan, Inc. but may not directly benefit our clients' accounts. Many of these products and services may be used to service all or some substantial number of our client accounts, including accounts not maintained at Schwab.

Schwab's products and services that assist us in managing and administering our clients' accounts include software and other technology that

- Provide access to client account data (such as trade confirmations and account statements)
- Facilitate trade execution and allocate aggregated trade orders for multiple client accounts
- Provide research, pricing and other market data facilitate payment of our fees from clients' accounts
- Assist with back-office functions, recordkeeping and client reporting

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

- Compliance, legal and business consulting
- Publications and conferences on practice management and business succession
- Access to employee benefits providers, human capital consultants and insurance providers

Schwab may make available, arrange and/or pay third-party vendors for the types of services rendered to Marshall & Sullivan, Inc. Schwab Institutional may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to our firm. Schwab Institutional may also provide other benefits such as educational events or occasional business entertainment of our personnel. 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.

## **Item 13      Review of Accounts**

### **INVESTMENT SUPERVISORY SERVICES INDIVIDUAL PORTFOLIO MANAGEMENT**

**REVIEWS:** While the underlying securities within Individual Portfolio Management Services accounts are continually monitored, these accounts are reviewed on a regular 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: Greg Robinson, Davis Miracle, and Susan Snyder.

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

## **Item 14      Client Referrals and Other Compensation**

### **CLIENT REFERRALS**

Our firm may pay referral fees to independent persons or firms ("Solicitors") for introducing clients to us.

Whenever we pay a referral fee, we require the Solicitor to provide the prospective client with a copy of this document (our Firm Brochure) and a separate disclosure statement that includes the following information:

- The Solicitor's name and relationship with our firm
- The fact that the Solicitor is being paid a referral fee
- The amount of the fee
- Whether the fee paid to us by the client will be increased above our normal fees in order to compensate the Solicitor

As a matter of firm practice, the advisory fees paid to us by clients referred by solicitors are not increased as a result of any referral.

It is Marshall & Sullivan, Inc.'s 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.

## **Item 15      Custody**

We previously disclosed in the "Fees and Compensation" section (Item 5) 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. Clients should contact us directly if they believe that there may be an error in their statement.

Our affiliate MSFM LLC, serves as the Manager to pooled investment vehicles. As Manager, they have the power and authority to access and distribute client funds and/or securities from the pooled investment vehicles. These powers are deemed to give us custody of client funds and securities. We have implemented internal control procedures where the financial statements of the pooled investment vehicle(s) that we or our related person to us serves as Manager, will be audited by an independent certified public accounting firm. Copies of the financial statements of the pooled investment vehicle will be distributed to the investment pool investors annually.

## **Item 16      Investment Discretion**

Clients hire us to provide discretionary asset management services. We place trades in a client's account without contacting the client prior to each trade to obtain the client's permission.

Our discretionary authority includes the ability to do the following without contacting the client:

- Determine the security to buy or sell
- Determine the amount of the security to buy or sell

Clients give us discretionary authority when they sign a discretionary 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.

Our discretionary powers do not include the purchase or sale of privately issued securities such as pooled investment vehicles or Private Funds. Clients must always provide us with written instructions regarding the purchase or sale of privately issued securities

### **Item 17      Voting Client Securities**

It is the policy of the Company to assume the duty to vote proxies for securities held by some clients in managed accounts. We only vote proxies where the client has appointed us to do so when filling out custodial paperwork. In clients' accounts managed by the Company, the client may retain the right and obligation to vote any proxies solicited by or with respect to securities held in their account, including any shares of mutual funds or assign that right to a third party.

We will vote those proxies in the best interests of its clients and in accordance 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 the client of the conflict and retain an independent third-party to cast a vote.

Clients may obtain a copy of our complete proxy voting policies and procedures by contacting Marshall & Sullivan by telephone, email, or in writing. 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. We will neither advise nor act on behalf of the client in legal proceedings involving companies whose securities are held in the client's account(s), including, but not limited to, the filing of "Proofs of Claim" in class action settlements. If desired, clients may direct us to transmit copies of class action notices to the client or a third party. Upon such direction, we will make commercially reasonable efforts to forward such notices in a timely manner.

For accounts where we do not vote proxies, our firm may provide investment advisory services relative to client investment assets, clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets. Clients are responsible for instructing each custodian of the assets to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets.

We may provide clients with consulting assistance regarding proxy issues if they contact us with questions at our principal place of business.

### **Item 18      Financial Information**

Marshall & Sullivan, Inc. has no additional financial circumstances to report.

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. Marshall & Sullivan, Inc. has not been the subject of a bankruptcy petition at any time during our firm history.

# MARSHALL & SULLIVAN

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REGISTERED INVESTMENT ADVISOR

## Part 2B of Form ADV: Brochure Supplement

01/23/2020

H Davis Miracle  
Gregory S Robinson

This brochure supplement provides information about the individual(s) listed above that supplements the Marshall & Sullivan, Inc. brochure. You should have received a copy of that brochure. Please contact Greg Robinson if you did not receive Marshall & Sullivan, Inc.'s brochure or if you have any questions about the contents of this supplement.

Additional information about the individual(s) listed above is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)



## **Item 2 Educational Background and Business Experience**

**Full Legal Name:** H Davis Miracle      **Born:** 1958

### **Education**

- University of Washington; BA, Economics; 1983

### **Business Experience**

- Marshall & Sullivan; Vice President; from 03/2011 to Present
- Morgan Stanley Smith Barney; Financial Advisor, from 08/1988 to 03/2011
- Cable, Howse & Ragen, Financial Advisor, from 02/1987 to 08/1988

## **Item 3 Disciplinary Information**

H Davis Miracle has no reportable disciplinary history.

## **Item 4 Other Business Activities**

### A. Investment-Related Activities

1. H Davis Miracle is not engaged in any other investment-related activities.
2. H Davis Miracle does not receive commissions, bonuses or other compensation on the sale of securities or other investment products.

### B. Non-Investment-Related Activities

H Davis Miracle is not engaged in any other business or occupation that provides substantial compensation or involves a substantial amount of his time.

## **Item 5 Additional Compensation**

H Davis Miracle does not receive any economic benefit from a non-advisory client for the provision of advisory services.

## **Item 6 Supervision**

Supervisor: Greg Robinson

Title: President/Chief Compliance Officer

Phone Number: 206-621-9014

Marshall & Sullivan works with clients as a team. Every principal is aware of the client, their individual situation and risk tolerances. Accounts with the same goals hold similar securities. Accounts with similar goals are traded as a group. Supervision automatically becomes a part of our everyday practice. We take turns reviewing accounts to make sure they are invested in a manner that is appropriate for the client on a regular basis. Once a year, every employee reads and signs our code of ethics and policy and procedures manual to ensure that they know and adhere to our firm's high standards.

## **Item 2 Educational Background and Business Experience**

**Full Legal Name:** Gregory S Robinson **Born:** 1962

### **Education**

- University of Puget Sound; BA, Accounting; 1984

### **Business Experience**

- Marshall & Sullivan, Inc; President; from 10/1994 to Present
- A G Edwards & Sons; Vice President; from 05/1990 to 10/1994
- Shearson Lehman Hutton; Broker; from 05/1986 to 05/1990

### **Designations**

Gregory S Robinson has earned the following designation and is in good standing with the granting authority:

- CFA; CFA Institute; 1999

This designation is offered by the CFA Institute (formerly the Association for Investment Management and Research [AIMR]). To obtain the CFA charter, candidates must successfully complete three difficult exams and gain at least three (3) years of qualifying work experience, among other requirements. In passing these exams, candidates demonstrate their competence, integrity and extensive knowledge in accounting, ethical and professional standards, economics, portfolio management and security analysis.

## **Item 3 Disciplinary Information**

Gregory S Robinson has no reportable disciplinary history.

## **Item 4 Other Business Activities**

### **A. Investment-Related Activities**

1. Gregory S Robinson is not engaged in any other investment-related activities.
2. Gregory S Robinson does not receive commissions, bonuses or other compensation on the sale of securities or other investment products.

### **B. Non-Investment-Related Activities**

Gregory S Robinson is not engaged in any other business or occupation that provides substantial compensation or involves a substantial amount of his time.

## **Item 5 Additional Compensation**

Gregory S Robinson does not receive any economic benefit from a non-advisory client for the provision of advisory services.

## **Item 6 Supervision**

Supervisor: Greg Robinson

Title: President/Chief Compliance Officer

Phone Number: 206-621-9014

Marshall & Sullivan works with clients as a team. Every principal is aware of the client, their individual situation and risk tolerances. Accounts with the same goals hold similar securities. Accounts with similar goals are traded as a group. Supervision automatically becomes a part of our everyday practice. We take turns reviewing accounts to make sure they are invested in a manner that is appropriate for the client on a regular basis. Once a year, every employee reads and signs our code of ethics and policy and procedures manual to ensure that they know and adhere to our firm's high standards.