

# Item 1: Cover Page

Thompson & Thompson Investment Advisors, Inc.

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**Form ADV Part 2A – Firm Brochure**

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Dated June 1, 2024

This Brochure provides information about the qualifications and business practices of Thompson & Thompson Investment Advisors, Inc. (“T&T”). If you have any questions about the contents of this Brochure, please contact us at (626) 639-6562. 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.

Thompson & Thompson Investment Advisors, Inc. is registered as an Investment Advisor with the State of California. Registration of an Investment Advisor does not imply any level of skill or training.

Additional information about T&T is available on the SEC’s website at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov), which can be found using the firm’s identification number, 306408.

## Item 2: Material Changes

The last annual update of this Brochure was filed on 03/24/2023. Since this filing:

1. T&T changed its primary custodian to Charles Schwab & Co. (“Schwab”) due to Schwab’s acquisition of the securities business of TD Ameritrade.
2. T&T’s is now managing as of February 29, 2024, \$20,172,000.
3. T&T has also corrected an error in our description of fees. (see sections 5 and 6 below).

From time to time, we may amend this Brochure to reflect changes in our business practices, changes in regulations, and routine annual updates as required by securities regulators. Either this complete Brochure or a Summary of Material Changes shall be provided to each Client annually and if a material change occurs in the business practices of Thompson & Thompson Investment Advisors, Inc.

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# Item 4: Advisory Business

## Description of Advisory Firm

Thompson & Thompson Investment Advisors, Inc. is owned by Davis D. Thompson and Davis R. Thompson. It was formed in October 2019 and began its advisory services in March 2020.

As of February 29, 2024, T&T managed approximately \$20,172,000 in funds on a discretionary basis.

## Types of Advisory Services

### Investment Management Services

T&T provides investment management services to individuals, trusts, charitable organizations, corporations and other businesses. Such investment management services are either comprehensive or focused. For comprehensive investment management services, the client engages T&T to manage substantially all of the client's financial assets, and T&T provides the client with retirement income planning. For focused investment management services, the client engages T&T to manage one or more portfolios of individual US-traded stocks but does not engage T&T to perform any retirement income planning services.

### Comprehensive Investment Management Services and Retirement Income Planning

T&T provides comprehensive investment management and planning for individual clients ranging from those in their 20s to those in retirement. For those not yet focusing on retirement, such services include an investment plan for saving and investing for retirement, for buying a house, and for paying for college for their children or grandchildren. For clients focusing on retirement, such services include plans for investing their assets to improve returns subject to a level of risk acceptable to the client, for withdrawing income and principal to pay for normal living expenses in retirement and other expenditures expected in their retirement, and for deciding when and how to take social security benefits.

T&T confers with the client to determine the client's investment objectives and risk profile and prepares an investment plan agreeable to the client that seeks to accomplish such objectives subject to the estimated level of risk acceptable to the client. T&T tailors its investment advice to the individual needs of each client by taking into consideration the totality of each client's material assets and liabilities, material sources of income and savings, and planned major expenditures. T&T further tailors its investment advice according to the risk profile of each client as determined by T&T through the initial client meeting and other methods. T&T uses various investment and portfolio allocation software, some of which is proprietary, to create and evaluate alternative portfolio designs. T&T evaluates the client's existing investments with respect to the client's investment plan. T&T works with each new client to develop a plan to transition from the client's existing portfolio to the portfolio recommended by T&T and agreed to by the client in the investment plan. T&T will then monitor the client's portfolio holdings, make purchases and sales of securities to provide funds to, or invest funds from the client, and to rebalance the portfolio as called for by the investment plan. T&T will also hold annual review meetings with the client to review and, if desired, revise the investment plan.

For investors with a high level of risk aversion, T&T will typically create a portfolio of passively-managed, no-load, low-cost, indexed stock and bond mutual funds and ETFs sometimes with Treasury securities and annuities depending on the client's needs and desires. For clients with a more moderate level of risk aversion that are willing to take additional risk for the possibility of a greater return, the portfolio may include a portfolio of individual stocks selected by T&T if the client has assets available for such investment.

Client portfolios may also include certain individual stocks and corporate and municipal bonds when the client desires them, often in situations where these securities were owned by the client prior to engaging T&T's services and their disposition would cause significant income or capital gains taxes. These situations will be specifically identified in the client's investment plan.

T&T manages the client's portfolio on a discretionary basis according to the investment plan agreed to by the client. A client may impose any reasonable restrictions on T&T's discretionary authority, including restrictions on the types of securities in which T&T may invest client assets and on the disposition of specific securities which the client desires to retain. In limited circumstances T&T will manage a client's portfolio on a non-discretionary basis, but the fees remain the same whether or not T&T has discretion.

On an ongoing basis, T&T will answer client inquiries regarding their accounts and review periodically with clients the performance of their accounts. Clients will receive monthly statements of their accounts from Schwab, the custodian and broker used by T&T for most clients' accounts. T&T will at least annually review each client's investment plan to discuss the results for the year and make any appropriate revisions to the investment plan.

For Comprehensive Investment Management clients, the fee includes:

- (1) the management of the client's investment accounts, including making desired recurring or special distributions and rebalancing quarterly in accordance with the investment plan;
- (2) monthly detailed account statements showing the holdings and transactions, deposits and withdrawals to the account and fees charged to the account;
- (3) monthly performance reports and annual performance letter with benchmark comparisons;
- (4) annual or as needed video conferences or telephone calls to discuss the investment results and any issues regarding the retirement income and investment plan; and
- (5) an annual review meeting to review and, if desired, revise the retirement income and investment plan.

#### Focused Investment Management Services

T&T offers clients focused investment management services for clients who want T&T to manage one or more portfolios of US-traded stocks constituting only a portion of their financial assets. These are clients interested in trying to "beat the market" for the returns on these assets rather than investing in an index fund

such as an S&P 500 Index Fund. The “market” is normally defined as the returns on the S&P 500 index, but T&T will consider using other indexes for the definition of the market in specific cases.

#### Investment or financial advice on hourly or fixed rate basis

For fixed or hourly fees, T&T may consult with clients on various investment and financial matters, including:

- Any specific service listed above
- Second opinions on retirement income and investment plans
- Succession planning / consulting on purchase or sale for family businesses
- Consulting on purchase or sale of real property
- Complex tax and estate planning guidance
- Other investment services

#### Educational Seminars and Speaking Engagements

T&T may provide seminars on an “as announced” basis for groups seeking general advice on investments and other areas of retirement income planning. The content of these seminars will vary depending upon the needs of the attendees. These seminars are purely educational in nature and do not involve the sale of any investment products. Information presented will not be based on any individual’s need, nor does T&T provide individualized investment advice to attendees during these seminars.

T&T will also give presentations on investment and financial topics at the request of clients and charges for such presentations as agreed to with the client.

#### Wrap Fee Programs

T&T does not participate in wrap fee programs.

#### **CCR Section 260.235.2 Disclosure**

For clients who receive our Retirement Income Planning services, we must advise the client when a conflict exists between the interests of our firm and the interests of our client with regard to any of our recommendations. The client is under no obligation to act upon our recommendation. If the client elects to act on any of the recommendations, the client is under no obligation to effect the transaction through our firm.

## Item 5: Fees and Compensation

Please note, unless a client has received the firm’s Disclosure Brochure at least 48 hours prior to signing the investment advisory contract, the investment advisory contract may be terminated by the client within five (5) business days of signing the contract without incurring any advisory fees. How we are paid depends on the type of advisory service we are performing and other factors. Please review the fee and compensation information below.

## Standard Fees for Investment Management Services

Standard Fees for Investment Management Services are based on the total Assets Under Advisement (“AUA”). AUA include accounts that are directly managed by T&T, such as IRAs and taxable securities accounts, and accounts for which T&T cannot directly make investment changes, such as most participant accounts in 401(k) and other qualified plans. On these latter accounts, T&T will give the client instructions as to which available investments to choose and the client will have to effectuate the choice.

AUA is the total value of assets on which T&T is engaged to provide Investment Management, which generally includes any assets held in securities accounts, IRAs, and 401(k), 403(b) and other qualified plans. AUA generally does not include checking and savings accounts or residences, but may include investment interests in real property and in closely held businesses. The client’s assets that are included in AUA are agreed to by the client and T&T.

The Standard Investment Management fees are based on a tiered structure as follows:

<b>Assets Under Advisement</b>	<b>Annual Fees/Monthly Fees</b>
On assets below \$1 million	0.60% / .05% (\$150 minimum)
On assets from \$1 million to \$5 million	0.50% / .04167%
On assets above \$5 million	0.40% / .03333%

Thus, the standard fee for a month in which the final balance is \$6,000,000 is \$2,500 (calculated 0.05% times \$1M plus 0.04167% times \$4M plus 0.03333 times \$1M).

All Investment Management fees are prorated and billed monthly in arrears based on the ending value of AUA, with a minimum fee of \$150 per month. Fees are generally deducted directly from any investment accounts that permit the direct payment of fees. Fees for accounts that do not allow direct payment of fees and for other assets are generally paid by direct (ACH) transfer from a checking account. Investment Management accounts other than qualified plans with current employers are generally required to be with Schwab. If a client desires to maintain accounts at other custodians, T&T may charge additional fees which will be set forth in the Client Services Agreement. For 401(k) and other qualified plans with the client’s employer for which the client has investment choices, T&T will manage the investments of the client in the plan directly if allowed by the plan and indirectly through the client if not allowed by the plan. Investment Management fees may be modified from the above by agreement of client and T&T.

See Item 6 below for optional Performance-Based Fees.

### Hourly and Fixed Fees for Separate Financial and Investment Planning Services

T&T also provides other one-time and on-going investment advisory services on an hourly or fixed fee basis. Hourly rates start at \$200 per hour and go up to \$500 per hour and depend on the education and experience levels of the investment advisor and the nature of the matter. Fixed fees vary according to the matter and the circumstances of the client and are determined by the agreement of the client and T&T.

### Educational Seminars and Presentations; Speaking Engagements

Educational classes, seminars and other speaking engagements may be offered to organizations and the public on a variety of investment topics. Fees and costs to be reimbursed are agreed to by the client and T&T. Educational seminars, presentations and speaking engagements may be provided pro-bono at T&T's discretion.

### General Provisions

The specific services to be provided and fees to be charged by T&T are established in a written Client Services Agreement between the client and T&T.

For Investment Management Services, the AUA will be determined at the end of each calendar month based upon the market value as set forth in the client's account statement from Schwab or other custodian for that month for publicly traded securities, or fair market value as reasonably determined by T&T in the absence of a market value.

A client may terminate his or her services contract at any time on written notice to T&T. Client will remain responsible for any fees and costs then due and payable to T&T. T&T reserves the right to change its fees after the first year of service upon 30 days' notice to its clients. T&T generally expects to adjust the dollar amounts of the fees annually based on changes to the consumer price index. T&T may also adjust its fees to particular clients on whom T&T has spent substantially more or less time than it spends on a typical client.

T&T may in its discretion deviate from any of the above Standard Investment Management fees, and other investment advisory fees with client approval.

T&T fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which may be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, and other third parties such as custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer, and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange-traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees, and commissions are exclusive of and in addition to our fee, and T&T does not receive any portion of these commissions, fees, or costs. T&T does not accept compensation for the sale of securities or other investment products including asset-based sales charges or service fees from the sale of mutual funds.



## CCR Section 260.238(j) Disclosure

Please note, lower fees for comparable services may be available from other sources.

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

Any client who meets the SEC definition of a “Qualified Client” can elect to be charged Performance-Based Investment Management fees for portfolios to be invested in US traded stocks to be chosen by T&T. The Standard Investment Management Fees set forth above are reduced by two-thirds, but the client will be charged a performance fee of 20% of the annual total return on the stock portfolio that is in excess, after accounting for T&T’s reduced asset-based fees, of the total return on the S&P 500 Index or other agreed index for the calendar year.

A “Qualified Client” is currently defined as a client with assets under management of at least \$1,100,000 or a net worth of at least \$2,200,000 excluding the value of any personal residence.

For instance, if in 2022 a client established a US stock account with T&T that averages \$1 million for the year which has had a total return of 8% after subtracting T&T’s asset-based fees, and the S&P 500 Index had total return of 6% for the year. Then, the excess return percent is 2% ( $8\% - 6\% = 2\%$ ) and the excess return is \$20,000 ( $2\%$  of \$1,000,000 = \$20,000). The performance fee is 20% of \$20,000 or \$4,000.

	Standard		Performance	
First \$1M	0.6%	\$6,000	0.6% divided by 3	\$2,000
Performance		<u>\$0</u>		<u>\$4,000</u>
Total		\$6,000		\$6,000

So, the breakeven excess return is 2% in this example using a \$1 million portfolio. T&T uses a high-water mark for excess earnings. So, in the above example, if in 2021 the excess earnings had been a negative \$5,000, then the excess earnings used to calculate the performance fee for 2022 would have been reduced to \$15,000 (\$20,000 - \$5,000) resulting in a performance fee of \$3,000 instead of \$4,000.

T&T does not engage in side-by-side management.

## Item 7: Types of Clients

T&T provides Investment Management services to individuals, trusts, charitable organizations and corporations or other businesses and organizations. It also provides educational seminars and presentations to various organizations and the public.

T&T does not have a minimum account size requirement but has a minimum monthly charge of \$150.

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

**Fundamental analysis** involves analyzing individual companies and their industry groups, such as a company's financial statements, details regarding the company's product line, the experience, and expertise of the company's management, and the outlook for the company's industry. The resulting data is used to measure the intrinsic value of the company's stock compared to the current market value. The risk of fundamental analysis is that the information obtained may be incorrect and the analysis may not provide an accurate estimate of earnings, which may be the basis for a stock's value. If securities prices adjust rapidly to new information, utilizing fundamental analysis may not result in favorable performance.

### **Modern Portfolio Theory**

The underlying principles of MPT are:

- Investors are risk averse. The only acceptable risk is that which is adequately compensated by an expected return. Risk and investment return are related and an increase in risk requires an increased expected return.
- Markets are efficient. The same market information is available to all investors at the same time. The market prices every security fairly based upon this equal availability of information.
- The design of the portfolio as a whole is more important than the selection of any particular security. The appropriate allocation of capital among asset classes will have far more influence on long-term portfolio performance than the selection of individual securities.
- Investing for the long-term (preferably longer than ten years) becomes critical to investment success because it allows the long-term characteristics of the asset classes to surface.
- Increasing diversification of the portfolio with lower correlated asset class positions can decrease portfolio risk. Correlation is the statistical term for the extent to which two variables (here asset classes) move in tandem or opposition to one another.

### **Passive and Active Investment Management**

T&T employs both passive investment management for more risk-averse clients and active investment management for some or all of a client's portfolio for less risk-averse clients who desire it.

Passive investing involves building portfolios that are comprised of various distinct asset classes. The asset classes are weighted in a manner to achieve the desired relationship between risk and return. Funds that passively capture the returns of the desired asset classes are placed in the portfolio. The funds that are used to build passive portfolios are typically index mutual funds or exchange-traded funds.

Passive investment management is characterized by low portfolio expenses (i.e., the funds inside the portfolio have low internal costs), minimal trading costs (due to infrequent trading activity), and relative tax efficiency (because the funds inside the portfolio are tax efficient and turnover inside the portfolio is minimal).

In contrast, active management involves a single manager or managers who employ some method, strategy, or technique to construct a portfolio that is intended to generate returns that are greater than the broader market or a designated benchmark. In designing active portfolios, T&T employs fundamental analysis to identify stocks that it believes will outperform the US stock market over periods of 3-5 years or longer.

## **Material Risks Involved**

**All investing strategies we offer involve risk and may result in a loss of your original investment which you should be prepared to bear.** Many of these risks apply equally to stocks, bonds, commodities, and any other investment or security. Material risks associated with our investment strategies are listed below.

**Market Risk:** Market risk involves the possibility that an investment's current market value will fall because of a general market decline, reducing the value of the investment regardless of the operational success of the issuer's operations or its financial condition.

**Strategy Risk:** The advisor's investment strategies and/or investment techniques may not work as intended.

**Small and Medium Cap Company Risk:** Securities of companies with small and medium market capitalizations are often more volatile and less liquid than investments in larger companies. Small and medium cap companies may face a greater risk of business failure, which could increase the volatility of the client's portfolio.

**Turnover Risk:** At times, the strategy may have a portfolio turnover rate that is higher than other strategies. A high portfolio turnover would result in correspondingly greater brokerage commission expenses and may result in the distribution of additional capital gains for tax purposes. These factors may negatively affect the account's performance.

**Limited markets:** Certain securities may be less liquid (harder to sell or buy) and their prices may at times be more volatile than at other times. Under certain market conditions, advisors may be unable to sell or liquidate investments at prices the advisors' consider reasonable or favorable or find buyers at any price.

**Concentration Risk:** Certain investment strategies focus on particular asset-classes, industries, sectors, or types of investment. From time to time, these strategies may be subject to greater risks of adverse developments in such areas of focus than a strategy that is more broadly diversified across a wider variety of investments.

**Interest Rate Risk:** Bond (fixed income) prices generally fall when interest rates rise, and the value may fall below par value or the principal investment. The opposite is also generally true: bond prices generally rise when interest rates fall. In general, fixed income securities with longer maturities are more sensitive to these price changes. Most other investments are also sensitive to the level and direction of interest rates.

**Legal or Legislative Risk:** Legislative changes, particularly corporate and capital gain tax rates, or Court rulings may impact the value of investments, or the securities' claim on the issuer's assets and finances.

**Inflation:** Inflation may erode the buying power of a client's investment portfolio, even if the dollar value of a client's investments remains the same.

### **Risks Associated with Specific Securities**

Apart from the general risks outlined above which apply to all types of investments, specific securities may have other risks.

**Commercial Paper** is, in most cases, an unsecured promissory note that is issued with a maturity of 270 days or less. Being unsecured the risk to the investor is that the issuer may default.

**Common stocks** may go up and down in price quite dramatically, and in the event of an issuer's bankruptcy or restructuring could lose all value. A slower-growth or recessionary economic environment could have an adverse effect on the price of all stocks.

**Corporate Bonds** are debt securities to borrow money. Generally, issuers pay investors periodic interest and repay the amount borrowed either periodically during the life of the security and/or at maturity.

Alternatively, investors can purchase other debt securities, such as zero coupon bonds, which do not pay current interest, but rather are priced at a discount from their face values and their values accrete over time to face value at maturity. The market prices of debt securities fluctuate depending on factors such as interest rates, credit quality, and maturity. In general, market prices of debt securities decline when interest rates rise and increase when interest rates fall. The longer the time to a bond's maturity, the greater its interest rate risk.

**Bank Obligations** including bonds and certificates of deposit may be vulnerable to setbacks or panics in the banking industry. Banks and other financial institutions are greatly affected by interest rates and may be adversely affected by downturns in the U.S. and foreign economies or changes in banking regulations.

**Municipal Bonds** are debt obligations generally issued to obtain funds for various public purposes, including the construction of public facilities. Municipal bonds pay a lower rate of return than most other types of bonds. However, because of a municipal bond's tax-favored status, investors should compare the relative after-tax return to the after-tax return of other bonds, depending on the investor's tax bracket. Investing in municipal bonds carries the same general risks as investing in bonds in general. Those risks include interest rate risk, reinvestment risk, inflation risk, market risk, call or redemption risk, credit risk, and liquidity and valuation risk.

**Options and other derivatives** carry many unique risks, including time-sensitivity, and can result in the complete loss of principal. While covered call writing does provide a partial hedge to the stock against which the call is written, the hedge is limited to the amount of cash flow received when writing the option. When selling covered calls, there is a risk the underlying position may be called away at a price lower than the current market price.

**Exchange Traded Funds** prices may vary significantly from the Net Asset Value due to market conditions. Certain exchange traded funds may not track underlying benchmarks as expected. ETFs are also subject to the following risks: (i) an ETF's shares may trade at a market price that is above or below their net asset value; (ii) the ETF may employ an investment strategy that utilizes high leverage ratios; or (iii) trading of an

ETF's shares may be halted if the listing exchange's officials deem such action appropriate, the shares are de-listed from the exchange, or the activation of market-wide "circuit breakers" (which are tied to large decreases in stock prices) halts stock trading generally. The advisor has no control over the risks taken by the underlying funds in which the clients invest.

**Mutual Funds** When a client invests in open-end mutual funds or ETFs, the client indirectly bears its proportionate share of any fees and expenses payable directly by those funds. Therefore, the client will incur higher expenses, many of which may be duplicative. In addition, the client's overall portfolio may be affected by losses of an underlying fund and the level of risk arising from the investment practices of an underlying fund (such as the use of derivatives).

## Item 9: Disciplinary Information

### **Criminal or Civil Actions**

T&T and its management have not been involved in any criminal or civil action.

### **Administrative Enforcement Proceedings**

T&T and its management have not been involved in administrative enforcement proceedings.

### **Self-Regulatory Organization Enforcement Proceedings**

T&T and its management have not been involved in legal or disciplinary events that are material or immaterial to a client's or prospective client's evaluation of T&T or the integrity of its management.

## Item 10: Other Financial Industry Activities and Affiliations

No T&T employee is registered or has an application pending to register as a broker-dealer or a registered representative of a broker-dealer.

No T&T employee is registered, or has an application pending to register, as a futures commission merchant, commodity pool operator or a commodity trading advisor.

T&T does not have any related parties. As a result, we do not have a relationship with any related parties.

T&T only receives compensation directly from clients. We do not receive compensation from any outside source. We do not have any conflicts of interest with any outside party.

### **Disclosure of Material Conflicts**

All material conflicts of interest under CCR Section 260.238(k) are disclosed regarding T&T, its representatives or any of its employees, which could be reasonably expected to impair the rendering of unbiased and objective advice.

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

As a fiduciary, our firm and its associates have a duty of utmost good faith to act solely in the best interests of each client. Our clients entrust us with their funds and personal information, which in turn places a high standard on our conduct and integrity. Our fiduciary duty is a core aspect of our Code of Ethics and represents the expected basis of all of our dealings. The firm also accepts the obligation not only to comply with the mandates and requirements of all applicable laws and regulations but also to take responsibility to act in an ethical and professionally responsible manner in all professional services and activities.

## **Code of Ethics Description**

This code does not attempt to identify all possible conflicts of interest, and literal compliance with each of its specific provisions will not shield associated persons from liability for personal trading or other conduct that violates a fiduciary duty to advisory clients. A summary of the principles of our Code of Ethics is outlined below.

- Integrity - Associated persons shall offer and provide professional services with integrity.
- Objectivity - Associated persons shall be objective in providing professional services to clients.
- Competence - Associated persons shall provide services to clients competently and maintain the necessary knowledge and skill to continue to do so in those areas in which they are engaged.
- Fairness - Associated persons shall perform professional services in a manner that is fair and reasonable to clients, principals, partners, and employers, and shall disclose conflict(s) of interest in providing such services.
- Confidentiality - Associated persons shall not disclose confidential client information without the specific consent of the client unless in response to proper legal process, or as required by law.
- Professionalism - Associated persons' conduct in all matters shall reflect the credit of the profession.
- Diligence - Associated persons shall act diligently in providing professional services.

We periodically review and amend our Code of Ethics to ensure that it remains current, and we require all firm access persons to attest to their understanding of and adherence to the Code of Ethics at least annually. Our firm will provide a copy of its Code of Ethics to any client or prospective client upon request.

## **Investment Recommendations Involving a Material Financial Interest and Conflicts of Interest**

Neither our firm, its associates or any related person is authorized to recommend to a client or effect a transaction for a client, involving any security in which our firm or a related person has a material financial interest, such as in the capacity as an underwriter, advisor to the issuer, etc.

## **Advisory Firm Purchase of Same Securities Recommended to Clients and Conflicts of Interest**

Our firm and its “related persons” may buy or sell securities similar to, or different from, those we recommend to clients for their accounts. In an effort to reduce or eliminate certain conflicts of interest

involving the firm or personal trading, our policy may require that we restrict or prohibit associates' transactions in specific reportable securities transactions. Any exceptions or trading pre-clearance must be approved by the firm principal in advance of the transaction in an account, and we maintain the required personal securities transaction records per regulation.

### **Trading Securities At/Around the Same Time as Client's Securities**

From time to time, our firm or its "related persons" may buy or sell securities for themselves at or around the same time as clients. When we rebalance accounts, we first rebalance unrelated client accounts and then rebalance related client accounts and T&T accounts.

## **Item 12: Brokerage Practices**

### **Factors Used to Select Custodians and/or Broker-Dealers**

Thompson & Thompson Investment Advisors, Inc. is not affiliated with any Broker-Dealers, but it has a business relationship with Charles Schwab & Co. ("Schwab"). T&T generally requires clients to use Schwab as their custodian except for qualified plans and in other limited cases. T&T does not generally recommend custodians other than Schwab.

#### **1. Research and Other Soft-Dollar Benefits**

T&T currently does not receive soft dollar benefits other than those standard benefits provided to advisors who participate in the Schwab's Institutional program described below.

#### **2. Brokerage for Client Referrals**

T&T receives no referrals from any broker-dealer or third party in exchange for using that broker-dealer or third party.

#### **3. Clients Directing Which Broker/Dealer/Custodian to Use**

T&T generally requires clients to use Schwab as its custodian and broker, but may agree to other custodians and brokers in limited circumstances.

### **The Custodian and Brokers Used by T&T--Charles Schwab & Co.**

T&T participates in the Schwab Institutional program. Schwab Institutional is a division of Charles Schwab & Co., member FINRA/SIPC. Schwab is an independent [and unaffiliated] SEC-registered broker-dealer. Schwab offers to independent investment advisors services which include custody of securities, trade execution, clearance, and settlement of transactions. T&T receives some benefits from Schwab through its participation in the program. **Please see the disclosure under Item 14 below.**

### **Aggregating (Block) Trading for Multiple Client Accounts**

"Block Trading" is the combining of multiple orders for shares of the same securities purchased for advisory accounts managed by one advisor. We use block trading unless we intend to trade a number of shares of a security that is so small that it would insignificantly, if at all, affect the price at which the security is bought or sold. If we employ block trading, we will then distribute a portion of the shares to participating accounts

in a fair and equitable manner. The distribution of the shares purchased is typically proportionate to the size of the account, but it is not based on account performance or the amount or structure of management fees. Subject to our discretion, regarding particular circumstances and market conditions, when we combine orders, each participating account pays an average price per share for all transactions and pays a proportionate share of all transaction costs. Accounts owned by our firm or persons associated with our firm may participate in block trading with your accounts; however, they will not be given preferential treatment.

## Item 13: Review of Accounts

Client accounts with the Investment Management Services will be reviewed regularly on a quarterly basis by the Chief Compliance Officer, Rick Thompson, who is also CFO and Secretary. The account is reviewed with regard to the client's investment policies and risk tolerance levels. Events that may trigger a special review would be unusual performance, additions or deletions of client-imposed restrictions, excessive draw-down, volatility in performance, unusual buy and sell decisions from the firm, or a request from the client.

Clients will receive trade confirmations from the broker(s) for each transaction in their accounts as well as monthly or quarterly statements and annual tax reporting statements from their custodian showing all activity in the accounts, such as receipt of dividends and interest.

T&T will provide written reports to Investment Management clients on a quarterly basis. We recommend that clients compare these reports against the account statements they receive from their custodian.

## Item 14: Client Referrals and Other Compensation

T&T does not receive any economic benefit, directly or indirectly, from any third party for advice rendered to our clients. Nor do we, directly or indirectly, compensate any person who is not advisory personnel for client referrals.

As disclosed under Item 12, above, T&T participates in Schwab's institutional customer program and T&T may recommend Schwab to clients for custody and brokerage services. There is no direct link between T&T's participation in the program and the investment advice it gives to its clients, although T&T receives economic benefits through its participation in the program that are typically not available to Schwab retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving T&T participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain



institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to T&T by third party vendors. Schwab may also have paid for business consulting and professional services received by T&T's related persons. Some of the products and services made available by Schwab through the program may benefit T&T but may not benefit its client accounts. These products or services may assist T&T in managing and administering client accounts, including accounts not maintained at Schwab. Other services made available by Schwab are intended to help T&T manage and further develop its business enterprise. The benefits received by T&T or its personnel through participation in the program does not depend on the number of brokerage transactions directed to Schwab.

As part of its fiduciary duties to clients, T&T endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by T&T or its related persons in and of itself creates a potential conflict of interest and may indirectly influence the T&T's choice of Schwab for custody and brokerage services.

## Item 15: Custody

T&T does not accept custody of client funds except in the instance of withdrawing client fees.

For client accounts in which T&T directly debits their advisory fee:

- i. T&T will send a copy of its invoice to the custodian at the same time that it makes a copy available to the client.
- ii. The custodian will send at least quarterly statements to the client showing all disbursements for the account, including the amount of the advisory fee.
- iii. The client will provide written authorization to T&T that permits us to be paid directly from their account(s) held by the custodian.

Clients should receive at least quarterly statements from the broker-dealer, bank or other qualified custodian that holds and maintains clients' investment assets. T&T recommends that clients carefully review such statements and compare such official custodial records to the account statements or reports that we may provide to you. Our statements or reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

## Item 16: Investment Discretion

For those client accounts where we provide discretionary Investment Management Services, we maintain discretion over client accounts with respect to securities to be bought and sold and the amount of securities to be bought and sold. Investment discretion is explained to clients in detail when an advisory relationship has commenced. At the start of the advisory relationship, the client will execute a Limited Power of Attorney, which will grant our firm discretion over the account. Additionally, the discretionary relationship will be outlined in the advisory contract and signed by the client.

For those clients where we provide non-discretionary Investment Management Services, T&T will seek clients' approval before buying or selling securities or other investments in clients' accounts. Non-discretionary authority is explained to the client in detail when an advisory relationship has commenced.

## Item 17: Voting Client Securities

T&T does not vote client proxies. Therefore, clients maintain exclusive responsibility for: (1) voting proxies, and (2) acting on corporate actions pertaining to the client's investment assets. The client shall instruct the client's qualified custodian to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets. We do not provide advice on proxy voting.

In most cases, you will receive proxy materials directly from the account custodian. However, in the event we were to receive any written or electronic proxy materials, we would forward them directly to you by mail, unless you have authorized our firm to contact you by electronic mail, in which case, we would forward you any electronic solicitation to vote proxies.

## Item 18: Financial Information

Registered Investment Advisors are required in this Item to provide you with certain financial information or disclosures about our financial condition. We have no financial commitment that impairs our ability to meet contractual and fiduciary commitments to clients, and we have not been the subject of a bankruptcy proceeding.

We do not have custody of client funds or securities or require or solicit prepayment of more than \$500 in fees per client six months or more in advance.

# Item 19: Requirements for State-Registered Advisors

## **Davis R. Thompson (“Rick Thompson”)**

Born: 1980

### **Educational Background**

- 2006 – Juris Doctorate, New York University School of Law
- 2002 – Bachelor of Science in Electrical Engineering, Columbia University

### **Bar Admissions and Other Qualifications**

- Inactive Member, State Bar of California
- Registered Patent Attorney, United States Patent & Trademark Office

### **Business Experience**

- 10/2020 – Present, TVT Community Day School, Mathematics Teacher
- 11/2019 – Present, Thompson & Thompson Investment Advisors, Inc., CFO and CCO
- 06/2019 - 10/2019, DKRBT Enterprises, Inc., Vice President
- 08/2016 – 05/2019, Mater Dei High School, Mathematics Teacher
- 07/2015 – 07/2016, The Episcopal School of Los Angeles, Head of Mathematics Department
- 08/2014 – 07/2015, Knobbe, Martens, Olson & Bear LLP, Associate Attorney
- 08/2008 – 05/2014, Polytechnic School, Mathematics Teacher

### **Other Business Activities**

Rick Thompson is not involved with outside business activities other than teaching at TVT Community Day School.

### **Performance-Based Fees**

T&T is not compensated by performance-based fees unless a client is a Qualified Client as defined by the SEC and elects to be charged performance-based fees instead of our standard investment management fees.

### **Material Disciplinary Disclosures**

No management person at Thompson & Thompson Investment Advisors, Inc. has ever been involved in an arbitration claim of any kind or been found liable in a civil, self-regulatory organization, or administrative proceeding.

## **Material Relationships That Management Persons Have With Issuers of Securities**

Neither Thompson & Thompson Investment Advisors, Inc., nor Rick Thompson, have any relationship or arrangement with issuers of securities.

## **Additional Compensation**

Rick Thompson does not receive any economic benefit from any person, company, or organization, in exchange for providing clients investment management services through T&T other than the compensation he receives from T&T.

## **Supervision**

Rick Thompson, as Chief Financial Officer, Chief Compliance Officer, and Secretary of T&T, is responsible for supervision. He may be contacted at the phone number on this brochure supplement.

## **Requirements for State Registered Advisors**

Rick Thompson has NOT been involved in an arbitration, civil proceeding, self-regulatory proceeding, administrative proceeding, or a bankruptcy petition.

## **Conflicts of Interest**

Pursuant to California Code of Regulations Section 260.238 (k) any material conflicts of interest regarding the investment advisor, its representatives or any of its employees are disclosed to the client prior to entering into any investment management agreement.

## **Business Continuity Plan**

T&T Financial maintains a written Business Continuity Plan that identifies procedures related to an emergency or significant business disruptions, including the death of the investment advisor or any of its representatives.

## **Davis D. Thompson**

Born: 1949

### **Educational Background**

- 1994 – Master of Business Taxation, USC School of Accounting
- 1976 – Juris Doctorate, UCLA Law School
- 1973 – Master of Philosophy in Economics, Yale University\*
- 1971 – Bachelor of Arts in Economics, Santa Clara University

\*An M.Phil. is awarded to students in the Ph.D. program who do not complete a dissertation, but complete comprehensive written exams in economic theory, econometrics and economic history, and two oral exams in their fields of interest, which were business organization and money & banking.

## **Bar Admissions and Other Qualifications**

- Inactive Member, State Bar of California

## **Business Experience**

- 11/2019 – Present, Thompson & Thompson Investment Advisors, Inc., CEO & President
- 01/2019 - 10/2019, DKRBT Enterprises, Inc., President
- 05/1989 – 12/2018, Atkinson, Andelson, Loya, Ruud & Romo, a Law Corporation, Head of Corporate and Tax Department & Shareholder

## **Other Business Activities**

Davis Thompson is not involved with outside business activities that constitute more than 10% of his time.

## **Performance-Based Fees**

T&T is not compensated by performance-based fees unless a client is a Qualified Client as defined by the SEC and elects to be charged performance-based fees instead of our standard investment management fees.

## **Material Disciplinary Disclosures**

No management person at Thompson & Thompson Investment Advisors, Inc. has ever been involved in an arbitration claim of any kind or been found liable in a civil, self-regulatory organization, or administrative proceeding.

## **Material Relationships That Management Persons Have with Issuers of Securities**

Neither Thompson & Thompson Investment Advisors, Inc., nor Davis Thompson, have any relationship or arrangement with issuers of securities.

## **Additional Compensation**

Davis Thompson does not receive any economic benefit from any person, company, or organization, in exchange for providing clients advisory services through T&T other than the compensation he receives from T&T.

## **Supervision**

Rick Thompson, as Chief Financial Officer, Chief Compliance Officer, and Secretary of T&T, is responsible for supervision. He may be contacted at the phone number on this brochure supplement.

## **Requirements for State Registered Advisors**

Davis Thompson has NOT been involved in an arbitration, civil proceeding, self-regulatory proceeding, administrative proceeding, or a bankruptcy petition.

## **Conflicts of Interest**

Pursuant to California Code of Regulations Section 260.238 (k) any material conflicts of interest regarding the investment advisor, its representatives or any of its employees are disclosed to the client prior to entering into any investment management agreement.

## **Business Continuity Plan**

T&T Financial maintains a written Business Continuity Plan that identifies procedures related to an emergency or significant business disruptions, including the death of the investment advisor or any of its representatives.

# Thompson & Thompson Investment Advisors, Inc.

1440 San Pasqual Street  
Pasadena, CA 91106  
(626) 639-6562

Dated May 30, 2024

## Form ADV Part 2B – Brochure Supplement for Davis R. Thompson

### **Davis R. Thompson (“Rick Thompson”) - Individual CRD# 7199870**

Chief Financial Officer, Chief Compliance Officer, & Secretary

This brochure supplement provides information about Davis R. Thompson (“Rick Thompson”) that supplements the Thompson & Thompson Investment Advisors, Inc. (“T&T”) brochure. A copy of that brochure precedes this supplement. Please contact Rick Thompson if the T&T brochure is not included with this supplement or if you have any questions about the contents of this supplement.

Additional information about Davis R. Thompson (“Rick Thompson”) is available on the SEC’s website at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov) which can be found using the identification number, 7199870.

## Item 2: Educational Background and Business Experience

### **Davis R. Thompson (“Rick Thompson”)**

Born: 1980

#### **Educational Background**

- 2006 – Juris Doctorate, New York University School of Law
- 2002 – Bachelor of Science in Electrical Engineering, Columbia University

#### **Bar Admissions and Other Qualifications**

- Inactive Member, State Bar of California
- Registered Patent Attorney, United States Patent & Trademark Office

#### **Business Experience**

- 10/2020 – Present, TVT Community Day School, Mathematics Teacher
- 11/2019 – Present, Thompson & Thompson Investment Advisors, Inc., CFO, CCO, & Secretary
- 06/2019 - 10/2019, DKRBT Enterprises, Inc., Vice President
- 08/2016 – 05/2019, Mater Dei High School, Mathematics Teacher
- 07/2015 – 07/2016, The Episcopal School of Los Angeles, Head of Mathematics Department
- 08/2014 – 07/2015, Knobbe, Martens, Olson & Bear LLP, Associate Attorney
- 08/2008 – 05/2014, Polytechnic School, Mathematics Teacher

## Item 3: Disciplinary Information

No management person at Thompson & Thompson Investment Advisors, Inc. has ever been involved in an arbitration claim of any kind or been found liable in a civil, self-regulatory organization, or administrative proceeding.

## Item 4: Other Business Activities

Rick Thompson is not involved with outside business activities other than teaching at TVT Community Day School.

## Item 5: Additional Compensation

Rick Thompson does not receive any economic benefit from any person, company, or organization other than T&T, in exchange for providing clients advisory services through T&T.

## Item 6: Supervision

Rick Thompson, as Chief Financial Officer, Chief Compliance Officer, and Secretary of T&T, is responsible for supervision. He may be contacted at the phone number on this brochure supplement.

## Item 7: Requirements for State Registered Advisors

Rick Thompson has NOT been involved in an arbitration, civil proceeding, self-regulatory proceeding, administrative proceeding, or a bankruptcy petition.



# Thompson & Thompson Investment Advisors, Inc.

1440 San Pasqual Street  
Pasadena, CA 91106  
(626) 639-6562

Dated May 30, 2024

## Form ADV Part 2B – Brochure Supplement for Davis D. Thompson

### **Davis D. Thompson - Individual CRD# 716517**

#### **Chief Executive Officer & President**

This brochure supplement provides information about Davis D. Thompson that supplements the Thompson & Thompson Investment Advisors, Inc. (“T&T”) brochure. A copy of that brochure precedes this supplement. Please contact Rick Thompson if the T&T brochure is not included with this supplement or if you have any questions about the contents of this supplement.

Additional information about Davis D. Thompson is available on the SEC’s website at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov) which can be found using the identification number, 716517.

## Item 2: Educational Background and Business Experience

### **Davis D. Thompson**

Born: 1949

#### **Educational Background**

- 1994 – Master of Business Taxation, USC School of Accounting
- 1976 – Juris Doctorate, UCLA Law School
- 1973 – Master of Philosophy in Economics, Yale University\*
- 1971 – Bachelor of Arts in Economics, Santa Clara University

\*An M.Phil. is awarded to students in the Ph.D. program who do not complete a dissertation, but complete comprehensive written exams in economic theory, econometrics and economic history, and two oral exams in their fields of interest, which were business organization and money & banking.

#### **Bar Admissions and Other Qualifications**

- Inactive Member, State Bar of California

## **Business Experience**

- 11/2019 – Present, Thompson & Thompson Investment Advisors, Inc., CEO & President
- 01/2019 - 10/2019, DKRBT Enterprises, Inc., President
- 05/1989 – 12/2018, Atkinson, Andelson, Loya, Ruud & Romo, a Law Corporation, Head of Corporate and Tax Department & Shareholder
- 

## Item 3: Disciplinary Information

No management person at Thompson & Thompson Investment Advisors, Inc. has ever been involved in an arbitration claim of any kind or been found liable in a civil, self-regulatory organization, or administrative proceeding.

## Item 4: Other Business Activities

Davis Thompson is not involved with outside business activities.

## Item 5: Additional Compensation

Davis Thompson does not receive any economic benefit from any person, company, or organization other than T&T, in exchange for providing clients advisory services through T&T.

## Item 6: Supervision

Rick Thompson, as Chief Financial Officer, Chief Compliance Officer, and Secretary of T&T, is responsible for supervision. He may be contacted at the phone number on this brochure supplement.

## Item 7: Requirements for State Registered Advisors

Davis Thompson has NOT been involved in an arbitration, civil proceeding, self-regulatory proceeding, administrative proceeding, or a bankruptcy petition.