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THE WALL STREET TRANSCRIPT
Connecting Market Leaders with Investors

A Comprehensive Approach to Financial Planning

JOHN G. ULLMAN is President, CEO and Founder of John G. Ullman & Associates, Inc. Earlier, he was President of USGM Securities, Inc., and at Corning Inc., worked in financial management. He received an MBA from the University of Chicago, with a focus in financial management. He received a bachelor's degree in economics from Johns Hopkins University. He was named the Corning Chamber of Commerce Small Business Person of the Year in 1997.

SECTOR — GENERAL INVESTING

TWST: Could you please identify yourself?

Mr. Ullman: John G. Ullman.

TWST: What's your title and the firm, John?

Mr. Ullman: President, John G. Ullman & Associates Inc., in Corning, New York. We have an office in Rhinebeck, New York, and an affiliate in Rochester, New York.

TWST: Could you tell me a little bit about the firm?

Mr. Ullman: The company was incorporated by a group of seven of us. Four were Corning Incorporated executives with whom I had very close relationships during my tenure at Corning, which was about six years. I had five different jobs there in three different divisions.

I had a long-term dream of setting up a comprehensive financial management firm. Coming out of graduate school, I was not able to find an organization that did what I was hoping to do. My wife and I decided that I would get a position in corporate finance. She would teach elementary school and then we would hopefully eventually start the company.

Having worked closely with some incredibly talented Corning executives, they were quite aware of my long-term interests. When I turned 30, I approached them about setting up the company, and we were very fortunate that they were all interested in both serving as directors and being our shareholder base — and that was in 1978. In August of this year, we will begin our 40th year of operations. The concept of having an extremely close set of working relationships with clients handling essentially all broadly defined financial matters in one organization became a reality. We've had a very exciting and extraordinary 39-plus years, and we're in the midst of a major strategic initiative for substantial growth for the next generation.

TWST: When you look at the market and economy this year and into next year, what are some of the overall impressions?

Mr. Ullman: The market certainly has been remarkable in terms of its almost straight upward movement over the last 13 months. I think few would have had any such expectation after the 2016 election. We did feel the election of Donald Trump was meant to be pro-business because of the potential tax cuts and regulation reductions, whether one supports him or not. We thought his election was going to be more positive for the market, but certainly the almost straight upward movement during this extended period has been remarkable. Valuations have gone to high levels. Unemployment levels are much, much better than they've been in decades. There are beginning to be some wage increases across the board, even at the lower-income levels, including some increases in minimum wages. The economy is not roaring, but it's certainly improved from where it was in 2007, 2008, and through March of 2009.

Valuations are higher. There are not, in our view, the bubbles that were out there in 1980 to 1982 — when Paul Volcker had interest rates at very high levels to break inflation, which he did successfully. In 2000, the technology bubble was about as extreme as we had seen. And then you had the financial bubble, which almost closed the whole economy down — when you look at July of 2007 to March of 2009.

While lots could happen in a very short time, the dysfunctionality between the two parties in Washington and whatever kind of roadblocks they might get into, the North Korean situation and others, could cause a very precipitous change in market valuations. But at least at the current time, there's much more likelihood of corrections, up or down, and they can be fairly significant, which would differ from a real bubble.

At this time, with valuations higher, it's harder to be buying certain types of stocks at price levels that are out there. Again, we're very disciplined. There are some sectors, though, where we continue to have areas of interest. Technology stocks are on our buy/sell list, but many of the stocks certainly have been extremely strong, and we've done more selling in recent months than buying.

The area of health care is under pressure with some of the moves in Washington, but at least at this point, the actions taken have not looked like they're going to have as much of an impact on health care as they could have. And one of the things that's really interesting, there are these companies doing immunotherapy that are taking terminally ill patients and giving people real possibilities of extended life. I hope that the developments there over time will continue to evolve and be hopefully revolutionary.

A third area, which is one that we want to be focused upon on a long-term basis, is infrastructure. There's a lot of discussion about infrastructure extending. Our view has been and continues to be that the amount of money this country will spend on infrastructure will probably substantially exceed expectations. If you look at individual examples that were going on recently, I think the numbers are in the $2 billion range for a new bridge where the Tappan Zee was located outside of New York City. I've also seen estimates for replacing a lot of the tunnels between New York and New Jersey in the range of potentially $12 billion. Jerry Brown in California is underway with a high-speed rail at $100 billion. There is a desalination plant in San Diego that, including all things associated with it, is in the $1 billion range.

The number of bridges and roads that are in major need of repair is only getting worse over time. We look at water issues, and I think the expenditures in those areas will largely increase. If you compare our country with many others, particularly in Western Europe, our infrastructure for trains and airports and other kinds of facilities, in most cases, lag significantly. When you look at all of these factors over a long period of time, we believe that there will be much more money expended on infrastructure. The numbers are staggering.

There are two issues of concern. One, will the money be spent on political considerations or will it be spent on needs and prioritization? And two, how do we pay for them? The state and federal governments don't have the funds, or even close to it. Will they use techniques that may not be allowed in industry to fund them and defer the payment, or will they face up and have them be paid for? I think the risk of them not being paid for is really high. But having said all that, there are companies that we really have great interest in the long term within the infrastructure field. Now some of them have gotten too expensive, so they're not on the current buy list.

But just mentioning a few, not in any particular order, would be **Granite Construction** (NYSE:GVA), **Lindsay Manufacturin**g (NYSE:LNN) and **Archer Daniels Midland** (NYSE:ADM); companies that make agricultural equipment like **AGCO** (NYSE:AGCO), **Calgon Carbon** (NYSE:CCC), **Halliburton** (NYSE:HAL), **Watts Water** (NYSE:WTS), **Xylem** (NYSE:XYL); and there are many others that at certain price points we would be interested in. At certain tranche levels, we'd be more likely to be selling — it is more like an accordion, buying and selling at different levels, but we are long-term-oriented.

We're also looking at companies that may have infrastructure exposure, but they're out of favor where there's hope for major change. Companies would include **Emerson Electric** (NYSE:EMR) and **General Electric** (NYSE:GE). **General Electric** is going through a really horrible set of circumstances. Jack Welch was a legendary manager. Jeff Immelt, who followed him and retired recently, was viewed very positively. They just cut their dividend, and they've had some acquisitions that really were overpaid overall. We hope with the new management and board motivation, they will start focusing much more in key areas that have not been announced.

Emerson Electric has been a better managed version of **GE**, and they got into trouble for several years. Much of their business is energy-related. We have loved that company for a long period of time. On a long-term view at current valuations, we're quite interested in that company.

Companies like **Schlumberger** (NYSE:SLB) and **Exxon**

Highlights

John Ullman talks about his disciplined investment strategy and his thoughts on the current investment environment. The sectors that interest him right now are technology, health care and infrastructure. Mr. Ullman also talks about his comprehensive approach to financial planning. He discusses different credit card options and what clients view as important, be it credit card benefits or security risks.

Companies include: Granite Construction (NYSE:GVA); Lindsay Corporation (NYSE:LNN); Archer Daniels Midland Co (NYSE:ADM); Calgon Carbon Corporation (NYSE:CCC); Halliburton Company (NYSE:HAL); Watts Water Technologies (NYSE:WTS); Xylem (NYSE:XYL); Emerson Electric Co. (NYSE:EMR); General Electric Company (NYSE:GE); Schlumberger Limited (NYSE:SLB); Exxon Mobil Corporation (NYSE:XOM); Amazon.com (NASDAQ:AMZN); Equifax (NYSE:EFX); General Motors Company (NYSE:GM); AT&T (NYSE:T); Best Buy Co (NYSE:BBY); Delta Air Lines (NYSE:DAL); Hilton Worldwide Holdings (NYSE:HLT); American Express Company (NYSE:AXP); JPMorgan Chase & Co. (NYSE:JPM); Marriott International (NASDAQ:MAR); Capital One Financial Corp. (NYSE:COF); Visa (NYSE:V); Mastercard (NYSE:MA) and AGCO Corporation (NYSE:AGCO).

"Our view has been and continues to be that the amount of money this country will spend on infrastructure will probably substantially exceed expectations."

(NYSE:XOM) have interest too. I think the area of natural resources, particularly oil, with the changes that are going on in this, and around the world, with how vehicles are being powered, is more of a concern over the long term for the future of some of those companies, but they've generally been well-managed. So we're focusing on some of out-of-favor and infrastructure companies at these market valuation levels.

1-Year Daily Chart of Granite Construction Incorporated

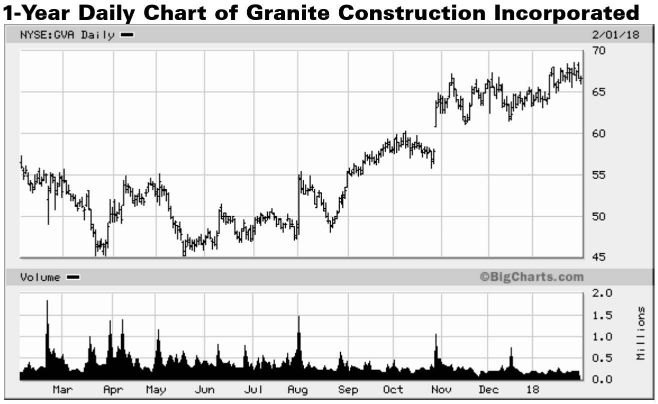

Chart provided by www.BigCharts.com

The other area involves the upheavals in the market. **Amazon** (NASDAQ:AMZN) has accelerated changes to an extraordinary extent in terms of retail. We don't have any current retail exposure. We had a small holding at a price point that we've sold, but that area has been under siege and probably will continue to be. Things with batteries and automated driving of cars will be another market disruptor. There are some medical technologies down the road that could be as well. We'll be focusing mostly on the more value-based areas, but I think there will be some exciting new developments that will be affecting the market for generations to come.

TWST: You mentioned that you're comprehensive and part of that involves credit cards and those kinds of things. Have you seen that this past year that people are concerned about the security of their cards?

Mr. Ullman: Yes. We do get involved with virtually everything: asset management, tax returns, insurance, estate plans, all of the aspects of what would be a broad financial plan. Some peripheral areas come up from time to time, such as dealing with people and executive placement, hiring and leaving. It could be health issues. One other topic that has come up more recently is credit cards and the security of them and the issue of identification theft. The most recent extreme example with **Equifax** (NYSE:EFX) highlighted the exposure most people have.

In discussing these choices with clients, there are several options that people have that they might do to try to help protect themselves. One that has become probably a favorite by some is to try to freeze credit bureau reports. You can contact the credit bureaus, generally three of them, and sometimes there is a charge to freeze and unfreeze. One of the problems with this choice is anytime you want to do something, add a credit card, change your balance, you have to unfreeze it and then freeze it. But most lending organizations including credit card companies want to get credit reports. If they're not able to, they will often, if not most of the time, not issue credit, but they still could.

"We're staying fairly fully invested, but we're moving and shifting over a higher percentage to out-of-favor and infrastructure stocks where they're at our valuation targets."

1-Year Daily Chart of Emerson Electric Company

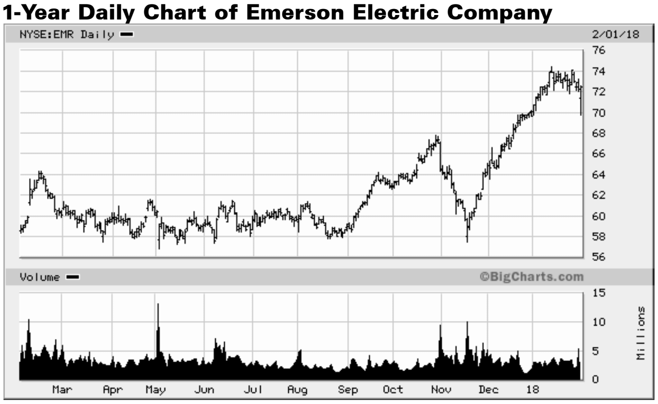

Chart provided by www.BigCharts.com

We do encourage fixed income to move shorter term. While rates don't necessarily have to go much higher, they could, and the impact of longer-term bonds, if they do, will be very substantial. So we're staying fairly fully invested, but we're moving and shifting over a higher percentage to out-of-favor and infrastructure stocks where they're at our valuation targets.

I think people should be cognizant of the volatility of the market. We've seen situations where people's exposures have increased to levels that are higher than their own financial situation probably would deserve. So it's a really exciting time.

Other things that people can do, which add up to a higher level of security, would include changing the credit cards periodically. There were a very large number of cards from **Equifax** that were listed by them as having been compromised, but there were a tiny percentage of the people whose other credit information had been released. So the odds of any individual's card having been compromised at **Equifax** would be a very small percentage. However, you can call your credit card company, and normally there's no charge, and they will reissue a card with a new number. So that is an option. A third thing that can be done is to periodically change passwords.

There are identification theft companies. One of the features that some of them offer, even though they are expensive and highly marketed, is that whenever there's a change in your file — a change of address or phone number or a new application which presumably is recorded somewhere to some central credit organization — they attempt to let you know. So having subscribed to one of these credit monitoring organizations that provide that service to me is a value. Not everybody wants to do that. There's a cost; they would have your information with Social Security numbers too. They could get hacked into.

Some of the higher-level ones are $250, $300 a year. Some give discounts to organizations, like the major stores, like **Sam's Club**. You can get them, and they have lots of promotions because they are highly marketed, but I've seen it personally when there are some changes they seem to come across, and that's helpful.

Another area which I think is a particular benefit — essentially all the credit cards I've had a chance to observe offer the option of having alerts sent to you by text message, by e-mail, or both. It could be whenever you have a charge above a certain dollar amount; sometimes they have a limit. On a personal basis, one inactive card of mine several years ago had a charge, several hundred miles away. I had an alert and got it. They picked up a couple-thousand-dollar charge at a local store. Because I have the alert, we were able to stop the purchase. I got the alert almost immediately after the order was placed. So those alerts are to me a very major benefit. The problem is if somebody has a lot of charges, you can get a lot of alerts. It's not a major distraction, but it does provide a lot more comfort knowing that if there are charges on the card, there will be a notification.

Those are the major things that we talk about with clients, and there are others. Based on individual circumstances, people might pick one over another. Also, we encourage people to try to use a limited number of credit cards for online purchases. But with the number of transactions increasing online, that's less practical than it was several years ago when the numbers were smaller because they're putting fewer cards at risk.

are intrigued about getting points for everyday purchases. For people who use credit cards a lot, that's not the area to focus upon. I'd like to do a few examples, just illustrations of opportunities that are out there — though they may have to be updated.

You have individual cards that will give you percentages back for future purchases. **General Motors** (NYSE:GM) has one that gives you 5% back for a **GM** purchase. They had a promotion over the summer; it went to 10% up to a decent dollar amount. So if you spend $20,000, you get $2,000 additional off. The new card is subject to some limitations.

Citibank has had one, I think, a universal card, that gives you 5% off of **AT&T** (NYSE:T) bills for cellular phones, and it's for most of the cost of what's theirs — it's not for the purchases — and that's a gift, because not many people probably use that. I believe **Best Buy** (NYSE:BBY) did something very similar with purchases in their stores. So many people who are focused on being efficient with cards will get the specialty cards and use them only when it's for that particular store purchase, when there's a significant advantage.

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TWST: When you talk with your clients, are they concerned about security when they talk to you about credit cards? Do they ask about these issues sometimes?

Mr. Ullman: It varies widely. There are people who are extremely concerned and uncomfortable, and try to use credit cards as little as possible. There are those who understand the risks, and they're pretty comfortable with using cards. Most people are in the middle.

I mean there have been so many of the situations that have come up over time. The **Equifax** breach just got more exposure and was bigger. There are quite a few instances of things that are happening. It's not every day, but it's not a tiny percentage anymore, and I think the risks over time are even greater.

We have folks around the world. They have very bad intentions, but they could be extremely technologically capable. Then you have innovations coming from the cards, you have the chips and you have all the random numbers that they're coming up with for us. The cat-and-mouse game. It has very high stakes. So I assume the exposure, which should only be increasing, will continue, and now when you get some of the cyber currencies, who knows there aren't going to be a lot of problems with those down the line.

TWST: Because you interact with clients on credit cards, did you want to talk about maybe some of the other issues that consumers have with credit cards and what are some of the options?

Mr. Ullman: That's a really interesting question. Many folks

1-Year Daily Chart of General Motors Company

Chart provided by www.BigCharts.com

But there are others that have highly substantial benefits. As an example, let me mention airline and hotel cards. **Delta Airlines** (NYSE:DAL) is just one example, but it's a really good one. It offers a number of different levels of cards. One of them is a platinum card, I believe it's $195 a year, you get some normal benefits like one free bag on each plane, for you and anyone you bought a ticket for, and you get I think earlier boarding.

But the benefits on two others, one is they'll give you a sign-up bonus and the promotions generally run from between 25,000 and 70,000 miles, and the midpoint of that would be a free trip. At the end of each year, you end up getting a free companion ticket. If you buy one, you basically get the other one for taxes, which could be $30, $40, $50 or something in that range. You're not going to buy a round-trip ticket typically in this country for $195. So you get one of those each year, plus you get the extra sign-up miles, which gives you usually about an extra trip, and the promotions do vary, so you want to be careful about that.

They have a second cohort, which for the premium traveler is even more attractive. It's more expensive at $450, gives you the earlier benefit, but also gets you into their allowance, I believe, which sometimes will cost you $300, $400, $500 on its own, and they'll give you the sign-up miles, which tend to be lower than I've seen on the platinum that they give you for the $450, and you get a free companion ticket, except for the tax portion on a first-class basis. These are domestic. I think they do include Hawaii on certain trips, but neither of these two cards cover that. So if you're going to be traveling with a companion, if **Delta**, as an example, is a convenient airline for you, getting these cards is like a gift. Also, if you have large amounts of expenditures on the Platinum or the Delta Reserve Card, they will give you miles that count toward status.

So these are benefits of credit cards that are far beyond just getting miles. Now you spend money, you get miles as well or the equivalent. For those who don't want these benefits, they're not worth it, just getting a higher cash payment of 5% for this, 3% for that, 0.5% for something else, there are cards, the **Citibank** Double Cash Card and there is a **Capital One** (NYSE:COF) Spark Card that offers 1.5% to 2% back if they have different marketing. The 2% back obviously is there, and the **Citibank's** one and one, 2% back is very attractive, and they're just simple with what you spend and that's what you get, nothing else.

So to summarize all of this, there are a lot of credit card features for those who travel significantly, getting status on airlines and upgrades for their hotels are very significant benefits, and we try to customize and help people get what the biggest benefit would be for them — the regular points or miles in most cases is not a priority.

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On the hotel side, a number of the cards provide premium services. You have **Hilton** (NYSE:HLT) as a card through **American Express** (NYSE:AXP), I believe, at $75 a year, and if you spend $25,000 on that card, for people who travel and have a lot of spending, you get gold status. As you turn $40,000, you get diamond status. Diamond status gets you eligible for upgrades when they're available in any of their hotels, and some of the upgrades are really a huge benefit.

Another card, which comes out through **Chase** (NYSE:JPM), is through **Marriott** (NASDAQ:MAR), **Ritz-Carlton**. You get some benefits like $300 toward total airline incidentals and a series of other benefits that they give you. At $75,000 of spending, you're at the diamond level or you're at the platinum elite, whatever the highest is for their service at all of the **Marriott Hotels**. And the upgrades for just a few of them during a year offset way more than the cost of the card. Plus, if you're at **Ritz-Carlton**, they have lounges that essentially serve a variation of meals, and you would get three stays of up to some reasonably long length. Among the more premium cards, is an **American Express** Platinum card, which is now $550. Some of these services, not all are provided through **Chase** on the **Marriott**, the **Ritz-Carlton** card, but this one has a lot of features for that amount of money.

When you get status at the car rental services, **National**, within Emerald Aisle, has one more level called Executive Emerald. They have an aisle of cars to help yourself to, and the Executive ones are often really low miles and much nicer than what the regular rental would have been. The other benefits include about $200 for one airline for incidentals that is changing the ticket fees. I think they'll give you CSA-preferred global assist for one person. They'll have a package of some really nice hotels; included in that would be the availability of upgrades. When those are done at those hotels, they can be an absolutely huge addition to, let's say, early check-in, late checkout at 4 o'clock. They'll usually include breakfast in the package. Not all the time, occasionally, you'll see incentives where if you stay there three nights, the fourth night is free. They'll have other benefits; sometimes it's $100 for whatever you need at the hotel during your stay.

1-Year Daily Chart of Hilton Worldwide Holdings

Chart provided by www.BigCharts.com

Getting the highest flat level of cash back for some people is much more attractive than just accumulating miles.

Most of the mile accumulations will get you 1%. So if you have 25,000 miles, it ends up being like $250 versus the ticket. If you go to the airlines, often the mileage that you have for the ticket can be more attractive than that. So if you have to spend 40,000 miles, if a ticket is $400, that's 1% effectively. If it turns out that the ticket's $900, then you're getting more than double the benefit. So one of the fun parts for us is to help analyze these areas, and with more and more funds being spent on credit cards, it's interesting how much benefit there can be for people who want to utilize them.

TWST: For some of the clients that you deal with, when they're selecting cards, finding out about some of these different cash-back options or other benefits they can get from using the card — are these more important than some of the security precautions that the card company takes?

Mr. Ullman: It's a good question. I think it really does vary. I think there are people who are extremely nervous and uncomfortable about credit card use and identity theft, in general, with any of their accounts. If I had to make a guess, I would think that as of today, more people, outside of an **Equifax** situation coming up and getting publicity, would expect that the benefits and the choices with credit cards would probably be viewed more importantly than the worries about security fraud and ID theft.

I don't think there's been much indication of one credit card company having much better or worse protection, but at least among the three majors, **American Express**, **Visa** (NYSE:V) and **Mastercard** (NYSE:MA), I believe they're all spending huge resources, and they probably do. So if one card company is far more vulnerable than another, I'm sure that would influence people, but there hasn't been anything that I've seen that suggests any major difference among the major players.

TWST: Overall, as we talk about credit cards and the different rates and interest rates that they might charge, there are also some bigger issues with the economy such as a major tax overhaul. Do you want to talk about that a little bit?

Mr. Ullman: The passage of the Tax Cuts and Jobs Act at the end of last year was the most significant tax legislation since the 1986 act. With the increase in standard deductions and the $10,000 limitation on state and local taxes — SALT — many more taxpayers will be filing their taxes with the standard deduction. Although using the standard deduction simplifies their tax filing, charitable organizations are concerned that with the increased use of the standard deduction that charitable donations may be affected. Many charitable organizations are communicating that the need remains and also that there may be ways for taxpayers to make charitable contributions and achieve tax savings such as using the Qualified Charitable Distribution provision for taxpayers that are older than 70 and a half and required to take minimum distributions from their retirement accounts.

Some of the traditional high tax states are also considering changes and legislation to their tax code that may allow for a charitable contribution to the state in lieu of tax. New York is also considering enacting a payroll tax that may replace some of the current income tax. It will be interesting to see what happens with these alternative proposals both in the details and also what the IRS and federal response to these alternatives will be.

TWST: We're mentioning taxes, and we talked about staying at hotels and airfare. When consumers are out there either filling out their tax forms and paying or traveling, is it a good idea for them to use their credit card to pay for these things, these big-ticket items?

Mr. Ullman: I would think, if I am understanding correctly, paying on your tax returns, and I'm not 100% positive on this, but I believe there is a charge as a percentage of whatever you're paying, which if you're paying a large bill, it's going to be very expensive. So I would never personally or ever suggest somebody take on a significant charge versus writing a check. But for hotel stays and whatever, generally speaking, they don't discount for cash or check with credit card benefits that are out there that get you the status and other areas.

Keep in mind that if you give somebody a check, they have your account number and they have your signature. So there's a risk to that even though there does not seem to be as much of an issue so far. I guess it's up to the individual. So probably parts of the world would feel less comfortable doing that than in others. But I think in most parts of the world, most folks would be comfortable using their credit cards. They may be careful which ones they may want to monitor, what goes on, but most of these are through electronic systems that are probably pretty similar worldwide. So I don't have any personal concern, but maybe they should.

TWST: Thank you. (ES)

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