

Introduction to Samuel D. Skaggs Investments

-Registered Investment Advisor-

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Registered Investment Advisor: Registration with the US Securities and Exchange Commission and/or with the state of Alaska does not imply a certain level of skill or training. Please see page 8 of this document for education and experience of Skaggs Investments personnel.

The information in this brochure has not been approved or verified by the US Securities and Exchange Commission or by any state securities authority (e.g. Alaska). This brochure provides information about the qualifications and business practices of Samuel D. Skaggs Investments. If you have any questions about its contents, please contact us at (907) 463-5511. Additional information about our firm is also available on the SEC's website at www.adviserinfo.sec.gov.

Overview of Samuel D. Skaggs Investments

Samuel D. Skaggs Investments has been serving Alaskans and nationwide clients since 1995. Our specialty is *active* portfolio management and retirement planning. The firm is registered with the US Securities and Exchange Commission (CRD #116383) and, as of March 15, 2011, manages \$54.2 million for individual/joint taxable accounts, IRAs, trusts, and for-profit and non-profit organizations.

As a Registered Investment Advisor, we have a fiduciary relationship with clients. Put simply, we provide advice that puts clients' best interests first. Specifically, the fiduciary standard dictates that, we, among other things, serve our clients with "utmost good faith" in order to avoid or disclose any conflict of interest, provide suitable recommendations and seek best execution.

Sam Skaggs, the firm's founder and principal, has thirty years of experience in counseling on financial matters including investing, retirement planning, taxes, insurance, cash flow management, and estate planning. A current Form ADV is available upon request or can be found on the SEC website at adviserinfo.sec.gov.

Whether you are approaching retirement and are concerned with outliving your savings or are just beginning to accumulate assets, Skaggs Investments aims to provide guidance and recommendations that take the mystery out of how much to save, what to invest in and how to eventually spend down your retirement assets. Intake procedures for both portfolio management and financial planning clients include a comprehensive survey of your financial situation in order to provide guidance on suitability of model allocation for investments.

While our primary service is portfolio management, the goal of our firm is to give peace of mind by assisting clients in organizing their finances, facilitating prudent management of those assets, and asking the right questions to ensure your financial house is in order. Therefore, services are tailored to each client's need depending on their unique situation. All consultations for portfolio management clients are covered by the annual fee (see below for greater details).

Financial Planning

The financial planning *process* is as important as the final product—the process is meant to be educational, rather than produce a "quick fix." In order to build a solid financial plan, we ask questions that are centered on the future you envision and your needs (for example, current expenses, children going to college, care of a parent, medical care, or saving for a vacation home). Along the way, we discuss risk, inflation, and taxes, and then we can project when and how you might be able to eventually live off your retirement investments and how much money you will need to invest/save to do so.

By using estimates of income and expenses, assets and liabilities, current tax rates and future interest rates, we can determine your future capital needs and how best to protect your capital. If you are self-employed, we will discuss your business, including cash flow, risks and succession. Finally, if you are currently investing, your investments will be analyzed to determine if they will support your goals, in addition to an allocation check-up on current holdings. Investment recommendations are primarily made with market risk in mind. (It is incumbent on the client to execute any trades necessary that are recommended.)

In most cases, the plan is a guide for at least one year, unless major events in your life (such as marriage, child birth, or inheritance) dictate a change or economic circumstances drastically change. Rather than rely on a "one size fits all" product, we produce several future scenarios based on real economic assumptions to illustrate what will likely happen to your money. Additionally, if your needs warrant it, we can review taxes; pension and/or other retirement plan investments; investment portfolio performance versus goals; life, disability and long-term care health insurance policies; mortgages; wills; and trusts.

Financial Planning Fees & Compensation

Financial planning services are charged a non-negotiable, fixed rate between \$2,000 and \$3,500, depending on the amount of assets and the complexity of the planning reports. (A discounted price of \$1,000 is provided to current portfolio management clients.) The fixed rate fee includes all one-to-one consultation time (for up to one year after the plan is presented), data entry, and report generation (multiple scenarios, if necessary). The plan is delivered in writing and we meet to discuss the results and our recommendations.

If a fixed rate planning product is not suitable, an hourly fee of \$225 will be charged for all hours spent in one-to-one consultation, research and/or report generation (two hour minimum). The fee structure will be agreed upon before any work begins and the client is billed for financial planning after the final deliverable has been presented. Generally, meetings and reviews of the plan are offered for one year after the final plan is presented, as requested by the client.

Investment Assets	Financial Planning Fixed Rate Fee
\$0-\$249,999	\$2,000
\$250,000-\$499,999	\$2,500
\$500,000-\$1,499,999	\$3,000
>\$1,500,000	\$3,500

*does not include sales tax for Juneau residents

Portfolio Management

Investment Discretion

Active portfolio management is a valuable tool to preserve capital from the effects of inflation and deflation, while also maximizing the potential for capital appreciation and/or income. For those who have saved investment capital independently or through a retirement savings plan of at least \$500,000, we offer portfolio management services with full discretion over trading by the Advisor. (For smaller holdings, we can provide investment advice for an hourly fee—see financial planning rates above.)

Methods of Analysis, Investment Strategies & Risk of Loss

We see themes of “regime” shift in the current world landscape. The old investment regime—based on buy and hold, cheap oil, high leverage—is now morphing and solidifying into a new regime. The old ways of living within the system must change to build a resilient household financial system. Skaggs Investments’ *Resilient Portfolio* management strategy is concerned primarily with managing risk based on evolving market conditions rather than the traditional asset allocation/risk management strategies that stay fully invested all the time. (Ask for a copy of our white paper on *The Resilient Portfolio*.)

All client portfolios follow one of the Resilient Portfolio allocation models. If, however, the client desires additional screening and/or restriction on assets, we can follow certain guidelines.

Within this context, each portfolio is actively and individually managed to:

- ✓ Assist you in meeting your cash flow needs if you are retired or making savings goals if you are working;
- ✓ Abide by your risk tolerance and time horizon of investing;
- ✓ Be tax-efficient; and, most importantly,
- ✓ Attempt to obtain a rate of return that is commensurate with market risk.

Four allocation models are available to govern the allocation of each portfolio: bonds/cash and fixed income investments as a percentage of the total portfolio in addition to stocks/stock mutual funds, and exchange traded funds (ETF's). The allocation ratio will depend on your particular needs and risk tolerance. Choosing the model that is used for directing the portfolio is an important decision agreed upon by both parties.

Eleven asset classes in three main investment types—capital preservation (fixed income), interest income (fixed income), and dividends/growth (equities)—are screened according to the *Resilient Portfolio* strategy. To choose each holding (equities, ETF's, government or corporate bonds, mutual funds and CD's), Skaggs Investments uses a combination of technical, charting and fundamental analysis. There is a risk of loss of capital for any of these investments. Specifically, there is interest rate risk, default risk, and reinvestment rate risk in bond holdings; and equities, equity-based mutual funds and equity ETFs involve risk of capital. While extremely rare, there is a risk of devaluation of money market funds; to counter that risk, we generally hold cash in FDIC-insured money accounts or a money market fund that holds US Treasuries.

Block trades (aggregated shares for many accounts) are made whenever possible to obtain best pricing and to not discriminate between accounts. Individual account trades are utilized when portfolio rebalancing takes place and when accounts are first being invested or closed out.

We may trade in options (calls only) using mutual funds when appropriate for a client's portfolio and profile. We do not sell short individual securities although mutual funds that have short positions may be held. To avoid unnecessary trade fees that can reduce overall portfolio performance and to maximize long-term capital gains in order to take advantage of current tax law, we attempt to keep portfolio turnover at a moderate level.

The Advisor has full discretion over portfolio management accounts and makes trades without prior approval of each trade by the client. By permitting Skaggs Investments full discretion over a client portfolio, it is understood that there is a risk of capital loss and return variability.

Account Review

Sam Skaggs, an Investment Advisor Representative, will rebalance the portfolio to the overall target allocation (capital preservation and interest income to dividends/growth) at least once each year or when macroeconomic and/or personal financial circumstances dictate. The appropriateness of the model allocation is also reviewed annually during the annual meeting with the client. Other events that trigger an account review/portfolio rebalancing are a change of the client's financial circumstances, a change in risk tolerance, or a significant economic shift. The Advisor uses active management and may occasionally temporarily overweight/underweight a certain sector for all or some of the models if he sees a market condition that warrants it.

Meetings & Reports for Portfolio Management Clients

Each year, on or about the anniversary date of the Client Advisory Agreement, the Advisor meets with clients to discuss the portfolio, although more frequent meetings may occur during the year to ensure close communication. For new clients and clients with certain cash flow needs, frequent communication is a necessity.

Each quarter clients receive, via a secure electronic portal, a custom, written quarterly report from Skaggs Investments that details portfolio positions; quarterly and year-to-date performance as well as unrealized capital gains/losses; quarterly realized capital gains/losses (except on tax-deferred accounts); billing statement; and target versus actual portfolio allocation data, along with our own written market analysis for the quarter. At the end of every calendar year, Capital Gains/Losses reports for the entire year are also summarized for clients' tax return preparation.

Additionally, Skaggs Investments publishes *P.S.*, an in-house newsletter delivered to the client portal three times each year, which advises on simple ways to improve financial knowledge and health in topics we think are useful for our clients.

Portfolio Management Fees & Compensation

For portfolio management, Skaggs Investments is paid not by selling products, but as a percentage of the assets we manage on clients' behalf. Managed portfolios are billed according to the total amount in the aggregate of the account(s) upon the signing of the annual Client Advisory Agreement. Upon the signing of the Agreement each year, the current total managed assets are assessed and the fee is determined for the four successive billable quarters.

Total Assets Under Management	Annual Fee
<\$249,999	1.20%
\$250,000-\$749,999	1.15%
\$750,000-\$999,999	1.10%
\$1,000,000-\$4,999,999	0.90%
>\$5,000,000	0.60%

Fees are billed one-fourth of the annual fee each quarter, per account, on the value of the account(s) on the last business day of the quarter (prorated for accounts that are opened or closed during the quarter). Unless arranged otherwise, fees are deducted by the Advisor directly from the account(s) approximately one to two weeks after the closing of the quarter for which billing occurs. In special situations, fees are negotiable.

No additional compensation is made on commissions nor on a share of capital gains or capital appreciation ("performance fees") of the funds under management. Financial plans, as described above, are offered for portfolio management clients at a reduced rate of \$1,000. We recommend all clients over age 50 and/or within three years of retirement to have a financial plan prepared. See below for other fees associated with accounts.

Custody: Custodian of Assets, Brokerage Practices & Voting Client Securities

Skaggs Investments exclusively uses TD Ameritrade Institutional Services, a brokerage firm and trade clearinghouse, as custodian for client accounts; "trade away" transactions may be made with other brokers when availability and pricing of securities is attractive. No directed brokerage practices are accepted.

Client assets are not ever in custody of Skaggs Investments. However, by signing a Limited Power of Attorney, the client permits the Advisor to make full discretionary trades in the managed account and allows Skaggs Investments to directly take management fees from the account. No remuneration is made to Skaggs Investments for the opening of accounts at TD Ameritrade.

Trade fees (at a rate of \$9.95-\$31.00 per transaction depending on the security, the size of the household portfolio, and whether the client elects paper or electronic statements/confirmations) and fund fees are charged to the client account separately by TD Ameritrade Institutional Services. There are no additional custody fees associated with client accounts at TD Ameritrade.

Monthly reports that include positions, pricing and transactions for each account are sent by TD Ameritrade directly to the client, either by email notification or by mail, as chosen by the client. Clients should carefully

review the monthly statements from TD Ameritrade and compare them to the quarterly statements received from Skaggs Investments.

In addition mandatory company information such as annual reports and proxy voting materials are sent to clients. Skaggs Investments does not vote proxies on behalf of clients; clients will directly receive proxy information at their mailing address unless an electronic option is chosen. While it is not the firm's custom to directly participate in shareholder actions, we may indirectly support actions by being members of certain shareholder activist organizations.

While our past experience with TD Ameritrade Institutional has been exceptional, the custodian is reviewed every three years for fee reasonableness, trade execution and quality of service. TD Ameritrade Institutional accounts are insured through the FDIC for some money market funds and the Securities Investor Protection Corporation (SIPC). TD Ameritrade also carries "excess SIPC" insurance up to \$150 million per customer (including \$900,000 in cash).

Firm Ethics & Disclosure

Skaggs Investments Code of Ethics

Samuel D. Skaggs Investments is committed to maintaining the highest standards of personal and professional conduct, in addition to complying with relevant federal and state securities laws (such as SEC rule 204A-1). To that end, we have designed and adopted a Code of Ethics ("Code"), and Policies & Procedures ("P&P") to exemplify our commitment to our fiduciary duty and business principles.

By agreeing to be employed by Skaggs Investments and by signing a Commitment to the Code of Ethics, employees of Skaggs Investments pledge to abide by the Code of Ethics and Policy & Procedures. Because the Code and the P&P cannot enumerate all the possible scenarios, it is expected that employees pledge to abide by the spirit of these documents, not just the letter of them.

Primarily, we must always strive to avoid any actual or implied conflict of interest. Policies and Procedures are designed to avoid or, in the case of conflict of interest, disclose such conflict. In so doing, the P&P have been formulated to follow these tenets:

- ✓ Fiduciary responsibility. As a Registered Investment Advisor, we must, at all times, place the interests of our clients ahead of our own interests.
- ✓ Any personal securities transactions that take place must be made in a manner that avoids any actual or potential conflicts of interest.
- ✓ Activities conducted on behalf of the business may not abuse the employee's position of trust with respect to the client.
- ✓ Employees must, at all times, comply with relevant laws and regulations including, but not limited to, protection of clients' non-public information, and secure data gathering and recordkeeping.

A copy of the Code of Ethics is available to any client or prospective client upon request.

Conflicts of Interest in Client Transactions & Personal Trading

Investment Advisor Representatives may buy or sell their personal securities that are the same as client securities. Except in cases of portfolio rebalancing, which is individual to each client, block trades (all shares are sold as a block, instead of individual sets) will bundle the total number of shares for all clients and the Representative's shares. A potential conflict of interest is thereby avoided because all parties share in the averaged price for all shares.

Other Activities & Affiliations

Skaggs Investments is not affiliated with any other broker/dealer, investment advisor, or other professional firm and does not receive compensation, directly or indirectly, when referring clients to a specific firm.

Disciplinary Information

There have never been nor are there currently any legal or disciplinary actions against the firm.

Biographies

Samuel D. Skaggs, owner of Skaggs Investments & Investment Advisor Representative

*Office address: 119 Seward Street, suite 7, Juneau, AK 99801
Telephone: (907) 463-5511; E-mail: sam@skaggsinvestments.com
Information as of March 21, 2011*

- Alaskan resident since 1975; graduated from Hampshire College with a B.A. in Ecology and Public Policy-Investment portfolio manager for the non-profit Skaggs Foundation since 1978 and President since 1986.
- Began fee-based investment advising business in Fairbanks in the 1970's prior to moving to Juneau in 1985. Restarted business in 1995; passed Series 63 and 65 SEC exams
- Other business experience: musk ox farm manager; comptroller, custom home contractor; child carrier manufacturing with worldwide sales
- Hobbies: US Sailing Instructor, 100 ton merchant marine licensee, sailing, rowing, skiing, hunting, and extensive non-profit board experience for past 28 years

There are no past or current disciplinary actions against Mr. Skaggs.

Amy L. Volz, Investment Advisor Representative & financial planner

*Office address: 119 Seward Street, suite 7, Juneau, AK 99801
Telephone: (907) 463-5511; E-mail: amy@skaggsinvestments.com
Information as of March 21, 2011*

- Alaskan resident since 2002; B.S. Animal Science, UC Davis; M.P.S. International Agriculture & Rural Development, Cornell University
- Business Manager for Skaggs Investments since 2004; passed Certified Financial Planner exam in November 2009 and Series 65 SEC exam in December 2010
- Prior experience in non-profit fields of grant management, development/fundraising, training, environmental compliance, monitoring and evaluation, and food security and monetization; in addition, volunteer activities in food co-op board of directors, co-manager of farmer's market and Peace Corps Volunteer

There are no past or current disciplinary actions against Ms. Volz.

Samuel D. Skaggs, owner of Skaggs Investments & Investment Advisor Representative

Office address: 119 Seward Street, suite 7, Juneau, AK 99801
Telephone: (907) 463-5511; E-mail: sam@skaggsinvestments.com

Educational Background and Business Experience

Sam Skaggs, 58, graduated from Hampshire College with a B.A. in Ecology and Public Policy. He has been the investment portfolio manager for the non-profit Skaggs Foundation since 1978 and its president since 1986. Mr. Skaggs began a fee-based investment advising business in Fairbanks in the 1970's prior to moving to Juneau in 1985. In 1995, he restarted Skaggs Investments, which is registered with the SEC as a Registered Investment Advisor, in downtown Juneau. He is currently the owner of the business and is an Investment Advisor Representative registered with the SEC.

Sam Skaggs has passed the Series 63 and 65 SEC exams and has lived in Alaska since 1975. Other business experience includes manager of a musk ox farm; comptroller; custom home contractor; and co-owner of a child carrier manufacturing firm with worldwide sales. Additional interests: US Sailing Instructor, 100 ton merchant marine licensee, sailing, rowing, skiing, hunting, and extensive non-profit board experience for past 28 years.

Additional information about Sam Skaggs is available on the SEC's website at www.adviserinfo.sec.gov.

Disciplinary Information

There are no past or current disciplinary actions against Mr. Skaggs.

Other Business Activities

Mr. Skaggs does not affiliate with or work for any other investment or non-investment related firm, except acting as President and investment manager for the Skaggs Foundation to which he devotes about 250 hours per year.

Additional Compensation

Mr. Skaggs does not receive any additional compensation from any party that is not a client.

Supervision

N/A

Requirements for State-registered Advisers

N/A

Amy L. Volz, Investment Advisor Representative & financial planner

Office address: 119 Seward Street, suite 7, Juneau, AK 99801
Telephone: (907) 463-5511; E-mail: amy@skaggsinvestments.com

Educational Background and Business Experience

Ms. Volz, 41, holds a B.S. in Animal Science from UC Davis and an M.P.S. in International Agriculture & Rural Development from Cornell University. Ms. Volz has served as the Business Manager for Skaggs Investments since 2004. She passed the Certified Financial Planner exam in November 2009 and the Series 65 SEC exam in December 2010.

Ms. Volz has been an Alaskan resident since 2002. She has prior experience in the non-profit fields of grant management, development/fundraising, training, environmental compliance, monitoring and evaluation, and food security and monetization. In addition, her volunteer activities include participating in a food co-op board of directors; co-manager of a farmer's market; fundraising advice for Southeast Alaska non-profits; and Peace Corps Volunteer.

Additional information about Amy Volz is available on the SEC's website at www.adviserinfo.sec.gov.

Disciplinary Information

There are no past or current disciplinary actions against Ms. Volz.

Other Business Activities

Ms. Volz does not affiliate with or work for any other investment or non-investment related firm.

Additional Compensation

Ms. Volz does not receive any additional compensation from any party that is not a client of Samuel D. Skaggs Investments.

Supervision

Ms. Volz' advisory activities with respect to clients is supervised by the firm's owner, Sam Skaggs. While Ms. Volz is registered with the SEC as an Investment Advisor Representative, she does not make discretionary trades in client accounts. All financial plans worked up by Amy Volz are reviewed by Sam Skaggs prior to client review.

Requirements for State-registered Advisers

N/A

Material Changes
to *Introduction to Samuel D. Skaggs Investments*
-March 21, 2011-

Since the previous version of this brochure, *Introduction to Samuel D. Skaggs Investments*, on December 30, 2009, the following material changes have occurred:

- Assets Under Management have increased from \$47 million to \$54 million.
- Allocation models have been modified to reflect *The Resilient Portfolio* with changes to individual allocations and asset class types.
- The portfolio management fee structure has changed and is reflected in the brochure's Portfolio Management Fees & Compensation section.
- Quarterly reports and other documents are shared with clients through our secure, electronic portal at www.iashost.com.
- Amy L. Volz was registered as an Investment Advisor Representative with Skaggs Investments in December 2010.
- New sections were added to the brochure as per new SEC regulations.