

Part 2A of Form ADV: *Firm Brochure*

Sherman & Armbruster, Inc.

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12/31/2010

This brochure provides information about the qualifications and business practices of Investment Management by Sherman & Armbruster. If you have any questions about the contents of this brochure, please contact us at 317-881-6670 or mja@s-a-cpa.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Investment Management by Sherman & Armbruster also is available on the SEC's website at www.adviserinfo.sec.gov. You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 122730.

Item 2 Material Changes

The SEC adopted "Amendments to Form ADV" in July, 2010. This Firm Brochure, dated December 31, 2010, is our new disclosure document prepared according to the SEC's new requirements and rules. As you will see, this document is a narrative that is substantially different in form and content, and includes some new information that we were not previously required to disclose.

After our initial filing of this Brochure, this Item will be used to provide our clients with a summary of new and/or updated information. We will inform you of the revision(s) based on the nature of the updated information.

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

Item 3	Table of Contents	Page
Item 1	Cover Page	1
Item 2	Material Changes	2
Item 3	Table of Contents	3
Item 4	Advisory Business	4
Item 5	Fees and Compensation	9
Item 6	Performance-Based Fees and Side-By-Side Management	13
Item 7	Types of Clients	13
Item 8	Methods of Analysis, Investment Strategies and Risk of Loss	13
Item 9	Disciplinary Information	15
Item 10	Other Financial Industry Activities and Affiliations	16
Item 11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	16
Item 12	Brokerage Practices	17
Item 13	Review of Accounts	20
Item 14	Client Referrals and Other Compensation	21
Item 15	Custody	21
Item 16	Investment Discretion	22
Item 17	Voting Client Securities	22
Item 18	Financial Information	23

Item 4 Advisory Business

Firm Description

Sherman & Armbruster, Inc. is an SEC-registered investment advisor with its principal place of business located in Greenwood, Indiana. Sherman & Armbruster, Inc. began conducting business on January 1, 2011. Prior to conducting business as Sherman and Armbruster, Inc., Sherman and Armbruster conducted business as Sherman & Armbruster, PC (beginning in 1985).

Sherman & Armbruster, Inc. is strictly a fee-only registered investment advisory company. We do not accept commissions in any form. In addition, no finder's fees are accepted.

Investment advice is provided, with the client making the final decision on investment selection. The client may engage other professionals (e.g., lawyers, accountants, insurance agents, etc.) at their discretion to help with their investment decision. Conflicts of interest will be disclosed to the client in the unlikely event they should occur.

Principal Owners

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

- Martin J Armbruster, President, Chief Compliance Officer (CCO)
- Patrick A Sherman, Secretary

Types of Advisory Services

Investment Management by Sherman & Armbruster, Inc. offers the following five advisory services to our clients:

I. INVESTMENT SUPERVISORY SERVICES ("ISS") - INDIVIDUAL PORTFOLIO MANAGEMENT (CONTINUOUS)

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

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

Clients may impose reasonable restrictions on investing in certain securities, types of

securities, or industry sectors.

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

- Exchange-listed securities
- Corporate debt securities (other than commercial paper)
- Certificates of deposit
- Municipal securities
- Variable annuities
- Mutual fund shares
- United States governmental securities

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

II. INDIVIDUAL PORTFOLIO MANAGEMENT (NON-CONTINUOUS)

Our firm provides **non-continuous** asset management of client funds based on the individual needs of the client. These client relationships exist with those clients who prefer to manage their own accounts but want occasional advice. Through personal discussions in which goals and objectives based on the client's particular circumstances are established, we develop the client's personal investment policy. We create and manage a portfolio based on that policy. During our data-gathering process, we determine the client's individual objectives, time horizons, risk tolerance, and liquidity needs. As appropriate, we may also review and discuss a client's prior investment history, as well as family composition and background.

Once the client's portfolio has been established, we review the portfolio upon the client's request. The client determines the frequency of the review. We manage these advisory accounts on a discretionary basis. Account supervision is guided by the client's stated objectives (i.e., maximum capital appreciation, growth, income, or growth and income), tax considerations, and risk analysis.

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

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

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- United States governmental securities

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

III. PENSION CONSULTING SERVICES

We also provide several advisory services separately or in combination. While the primary clients for these services will be pension, profit sharing and 401(k) plans, we offer these services, where appropriate, to individuals and trusts, estates and charitable organizations. Pension Consulting Services are comprised of the listed distinct services described below. Clients may choose to use any or all of these services.

Investment Policy Statement Preparation (hereinafter referred to as "IPS"):

We will meet with the client (in person or over the telephone) to determine an appropriate investment strategy that reflects the plan sponsor's stated investment objectives for management of the overall plan. Our firm then prepares a written IPS detailing those needs and goals, including an encompassing policy under which these goals are to be achieved. The IPS also lists the criteria for selection of investment vehicles as well as the procedures and timing interval for monitoring of investment performance.

Selection of Investment Vehicles:

We assist plan sponsors in constructing appropriate asset allocation models. We will then review various mutual funds (both index and managed) to determine which investments are appropriate to implement the client's IPS. The number of investments to be recommended will be determined by the client, based on the IPS.

Monitoring of Investment Performance:

We monitor client investments continually, based on the procedures and timing intervals delineated in the Investment Policy Statement. Although our firm is not involved in any way in the purchase or sale of these investments, we supervise the client's portfolio and will make recommendations to the client as market factors and the client's needs dictate.

Employee Communications:

For pension, profit sharing and 401(k) plan clients with individual plan participants exercising control over assets in their own account ("self-directed plans"), we may also provide quarterly educational support and investment workshops designed for the plan participants. The nature of the topics to be covered will be determined by us and the client under the guidelines established in ERISA Section 404(c). The educational support and investment workshops will NOT provide plan participants with individualized, tailored investment advice or individualized, tailored asset allocation recommendations.

Pension Administration:

Our pension consulting services area also consists of pension administration. Pension administrative services include accounting for participant and employer contributions, testing for discrimination as defined by the Department of Labor, designing retirement plans for businesses, compiling quarterly participant statements, facilitating employee rollover distribution requests, and assisting clients with plan document design and interpretation.

IV. FINANCIAL PLANNING

We provide financial planning services. Financial planning is a comprehensive evaluation of a client's current and future financial state by using currently known variables to predict future cash flows, asset values and withdrawal plans. Through the financial planning process, all questions, information and analysis are considered as they impact and are impacted by the entire financial and life situation of the client. Clients purchasing this service receive a written report which provides the client with a detailed financial plan designed to assist the client achieve his or her financial goals and objectives.

In general, the financial plan can address any or all of the following areas:

- **PERSONAL:** We review family records, budgeting, personal liability, estate information and financial goals.
- **TAX & CASH FLOW:** We analyze the client's income tax and spending and planning for past, current and future years; then illustrate the impact of various investments on the client's current income tax and future tax liability.
- **INVESTMENTS:** We analyze investment alternatives and their effect on the client's portfolio.
- **INSURANCE:** We review existing policies to ensure proper coverage for life, health, disability, long-term care, liability, home and automobile.
- **RETIREMENT:** We analyze current strategies and investment plans to help the client achieve his or her retirement goals.
- **EDUCATION:** We assist the client in assessing education funding needs and strategies to save for education goals.

- **DEATH & DISABILITY:** We review the client's cash needs at death, income needs of surviving dependents, estate planning and disability income.
- **ESTATE:** We assist the client in assessing and developing long-term strategies, including as appropriate, living trusts, wills, review estate tax, powers of attorney, asset protection plans, nursing homes, Medicaid and elder law.

We gather required information through in-depth personal interviews. Information gathered includes the client's current financial status, tax status, future goals, returns objectives and attitudes towards risk. We carefully review documents supplied by the client, including a questionnaire completed by the client, and prepare a written report. Should the client choose to implement the recommendations contained in the plan, we suggest the client work closely with his/her attorney, accountant, insurance agent, and/or stockbroker. Implementation of financial plan recommendations is entirely at the client's discretion.

We also provide general non-securities advice on topics that may include tax and budgetary planning, estate planning and business planning.

Typically the financial plan is presented to the client within six months of the contract date, provided that all information needed to prepare the financial plan has been promptly provided.

Financial Planning recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company. All recommendations are of a generic nature.

V. CONSULTING SERVICES

Clients can also receive investment advice on a more focused basis. This may include advice on only an isolated area(s) of concern such as estate planning, retirement planning, or any other specific topic. We also provide specific consultation and administrative services regarding investment and financial concerns of the client.

AMOUNT OF MANAGED ASSETS

As of 12/31/2010, we were actively managing \$106,717,510 of clients' assets on a discretionary basis.

Item 5 Fees and Compensation

I. INVESTMENT SUPERVISORY SERVICES - INDIVIDUAL PORTFOLIO MANAGEMENT (CONTINUOUS) FEES

Our annual fees for Investment Supervisory Services are based upon a percentage of assets under management and generally range from 0.42% to 1.00% annually. Clients pay their fees quarterly in arrears. Clients may either have their fees deducted from their account or may receive a bill for the fees incurred. The first billing occurs at the end of the 2nd full month in which we have your assets under management and will be pro-rated based on when we begin to manage your assets. This fee does not include time spent preparing income tax returns or other tax compliance activities.

Investment Management by Sherman & Armbruster's advisory fees are not negotiable.

INVESTMENT ASSETS	Up to \$500,000 Qtrly / Annual	\$500,000 - \$1,000,000 Qtrly/Annual	\$1,000,000 - \$2,500,000 Qtrly/Annual	\$2,500,000 + Qtrly/Annual
Investment Mgt Services - Equities	0.25 / 1.00%	0.225 / 0.90%	0.20 / 0.80%	0.175 / 0.70%
Investment Mgt Services - Bonds	0.15 / 0.60%	0.135 / 0.54%	0.12 / 0.48%	0.105 / 0.42%
Asset Level Discount		10%	20%	30%

II. PORTFOLIO MANAGEMENT SERVICES (NON-CONTINUOUS) FEES

There are some clients who prefer to manage their own accounts but want occasional advice. They prefer to pay on an "as needed" basis with annual meetings at a minimum. Our fees for **non-continuous** Portfolio Management Services are calculated and charged on an hourly basis, ranging from \$65 - \$190 per hour determined by the advisor's professional experience. Clients engaging Sherman and Armbruster, Inc. for non-continuous portfolio management services are invoiced in arrears at the end of each month. New client relationships seeking this sort of service agree to an annual minimum fee of \$2,500.

Investment Management by Sherman & Armbruster's advisory fees are not negotiable.

III. PENSION CONSULTING FEES

We provide plan administration, manage plan assets, or for some clients both. Below is our fee schedule for administration as well as our advisory fees.

Pension Administration	Base Fee for up to 5 Participants	Annual Fee, For Additional Participants	ADP Test	Hardship Withdrawals, Loans, Terminations
Safe Harbor 401k	\$1,200	\$50		\$125
401k	\$1,200	\$50	hourly	\$125
SIMPLE IRA	\$800	\$75		\$125
Profit Sharing Plan	hourly			\$125
Annual Meeting per Location	\$750	\$25		

Asset Management Fees	Base Fee for up to 5 Participants	Annual Fee, For Additional Participants
Safe Harbor 401k	\$750	\$50
401k	\$750	\$50
SIMPLE IRA	\$750	\$50
Profit Sharing Plan	\$750	\$50

IV. FINANCIAL PLANNING FEES

Investment Management by Sherman & Armbruster's Financial Planning fee will be determined based on the nature of the services being provided and the complexity of each client's circumstances. All fees are agreed upon prior to entering into a contract with any client.

Our Financial Planning fees are calculated and charged on an hourly basis, ranging from \$65 to \$190 per hour determined by the advisor's professional experience. Although the length of time it will take to provide a Financial Plan will depend on each client's personal situation, we will provide an estimate for the total hours at the start of the advisory relationship.

Our fees for some specific financial planning engagements have been summarized below and operate more on a fixed fee arrangement.

INVESTMENT ASSETS	Up to \$500,000	\$500,000 - \$1,000,000	\$1,000,000 - \$2,500,000	\$2,500,000 +
Financial Planning Fee / Investment Policy Statement	\$750 - \$1,500	\$1,250 - \$2,000	Quote	Quote
Retirement Planning Projection	\$500 - \$1,000	\$1,000 - \$2,000	Quote	Quote
Life Insurance Analysis	Quote	Quote	Quote	Quote
College Funding Analysis	Free	Free	Free	Free
Stock Option Exercise and Tax Planning	Quote	Quote	Quote	Quote
Estate Planning	Quote	Quote	Quote	Quote

Financial Planning Fee Offset: Investment Management by Sherman & Armbruster reserves the right to reduce or waive the hourly fee and/or the minimum fixed fee if a financial planning client chooses to engage us for our continuous Individual Portfolio Management Services.

The client will be billed monthly in arrears based on actual hours accrued.

V. CONSULTING SERVICES FEES

Investment Management by Sherman & Armbruster's Consulting Services fee will be determined based on the nature of the services being provided and the complexity of each client's circumstances. All fees are agreed upon prior to entering into a contract with any client.

GENERAL INFORMATION

Termination of the Advisory Relationship: A client agreement may be canceled at any time, by either party, for any reason upon receipt of 30 days written notice. Upon termination of any account, any fees owed by the client will be calculated by pro rating according to the number of days and a bill will be sent to the client for final payment.

Mutual Fund Fees: All fees paid to Investment Management by Sherman & Armbruster for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or ETFs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. Accordingly, the client should review both the fees charged by the funds and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

Additional Fees and Expenses: The account qualified custodian/clearing agent (Charles Schwab) for the investment management accounts imposes a fee for executing transactions and other custodial services in each client account. These charges are not retail broker commissions, and no part of the transaction charge is paid to Sherman & Armbruster, Inc. The fees and charges imposed by the clearing agent are in exchange for facilitating the execution of trades and for the custody of the assets in the client's account. In addition to transaction charges, the custodian may also impose various fees for transferring securities and for other services. These transaction fees are subject to change without warning.

All brokerage commissions, stock transfer fees, and other similar charges incurred in connection with transactions for the account are in addition to the investment management fees paid to Sherman & Armbruster, Inc. The client bears responsibility for verifying the accuracy of fee calculations. Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information.

ERISA Accounts: Investment Management by Sherman & Armbruster is deemed to be a fiduciary to advisory clients that are employee benefit plans or individual retirement accounts (IRAs) pursuant to the Employee Retirement Income and Securities Act ("ERISA"). As such, our firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include among other things, restrictions concerning certain forms of compensation.

Advisory Fees in General: Clients should note that similar advisory services may or may not be available from other registered or unregistered investment advisers for similar or lower fees.

Limited Prepayment of Fees: Under no circumstances do we require or solicit payment of fees in excess of \$1200 more than six months in advance of services rendered.

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

Investment Management by Sherman & Armbruster does not charge performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

Item 7 Types of Clients

Investment Management by Sherman & Armbruster provides advisory services to the following types of clients:

- Individuals (other than high net worth individuals)
- High net worth individuals
- Pension and profit sharing plans (other than plan participants)
- Charitable organizations
- Corporations or other businesses not listed above

Investment Management by Sherman & Armbruster does not impose any account minimums to open or maintain accounts. Client relationships vary in scope and length of service.

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

METHODS OF ANALYSIS

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

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

A risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of securities, fixed income, and cash will change over time due to stock and market movements and, if not corrected, will no longer be appropriate for the client's goals.

Mutual Fund and/or ETF Analysis. We look at the experience and track record of the manager of the mutual fund or ETF in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We also look at the underlying assets in a mutual fund or ETF in an attempt to determine if there is significant overlap in the underlying investments held in another fund(s) in the client's portfolio. We also monitor the funds or ETFs in an attempt to determine if they are continuing

to follow their stated investment strategy.

A risk of mutual fund and/or ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a fund or ETF, managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that manager may deviate from the stated investment mandate or strategy of the fund or ETF, which could make the holding(s) less suitable for the client's portfolio.

Risks for all forms of analysis. Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

Other: Sherman & Armbruster, Inc. uses Morningstar Principia, Advisor Intelligence, Charles Schwab & Company's "Schwablink" service and website, and the World Wide Web to perform analysis. When managing client accounts, Sherman & Armbruster, Inc. uses Portfolio Center, Junxure, and ByAllAccounts.

INVESTMENT STRATEGIES

We use the following strategy(ies) in managing client accounts, provided that such strategy(ies) are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:

Long-term Core Strategic Purchases. We purchase securities with the idea of holding them in the client's account for a year or longer. We utilize this strategy as our core approach to create a portfolio allocation with exposure to various asset classes. This approach is used to address a client's risk goals and investment goals. With this approach, we want exposure to particular asset classes over time, regardless of the current projection for the asset classes. Diversification is key to an investment experience, and this is the foundation on which we build. For these purchases, we will use active and passive investments. We use very long-term data history for major asset classes to create a model portfolio targeted to the client's risk level. The allocation is determined by the mix that gives us the highest likely long-term return, subject to a high statistical likelihood that the portfolio won't exceed a maximum 12-month loss threshold.

A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantages of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell. Also, in utilizing active managers for some investments, there is the risk of underperformance of the manager to the respective index.

Tactical purchases. To overlay our strategic approach outlined above, we utilize a tactical asset allocation approach to add value through short-term opportunities in asset classes. We

start with the a portfolio allocation as outlined above having exposure to various asset classes that is established based on a set of risk goals, and then we deviate from that allocation on when our fundamental research and valuation analysis convinces us that there is compelling opportunity to add return or reduce risk.

We prioritize discipline, but we also want a measure of common sense, so that when fear or greed leads to an asset being temporarily mispriced, which happens occasionally, we are in a position to recognize it and are willing to pull the trigger and increase our weighting in the affected asset class.

This strategy involves more frequent trading than does a longer-term strategy, and will result in increased brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains. There is also the risk that the tactical opportunity is not correctly assessed or acted upon. This strategy poses the risk that should the anticipated tactical move not materialize, we are then left with the option of having a long-term investment in a security that was designed to be a short-term holding, or potentially take a loss. Also, in utilizing active managers for some investments, there is the risk of underperformance of the manager to the respective index.

Risk of Loss. Securities investments are not guaranteed and you may lose money on your investments. We ask that you work with us to help us understand your tolerance for risk. Investors face the following investment risks:

- Interest-rate Risk
- Market Risk
- Inflation Risk
- Currency Risk
- Reinvestment Risk
- Business Risk
- Liquidity Risk
- Financial Risk

Item 9 Disciplinary Information

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

Our firm and our management personnel have no reportable disciplinary events to disclose.

Item 10 Other Financial Industry Activities and Affiliations

Our firm and our related persons are not engaged in other financial industry activities and have no other industry affiliations.

Principals of our company are also partners in the accounting firm of Sherman & Armbruster, LLP, where they are individually licensed and practicing Certified Public Accountants (CPAs) providing accounting services for separate and typical compensation.

Sherman & Armbruster, LLP typically recommends Investment Management by Sherman & Armbruster to accounting clients in need of advisory services. Conversely, Investment Management by Sherman & Armbruster typically recommends Sherman & Armbruster, LLP to advisory clients in need of accounting services. Accounting services provided by Sherman & Armbruster, LLP are separate and distinct from our advisory services, and are provided for separate and require typical compensation. There are no referral fee arrangements between our firms for these recommendations. No Investment Management by Sherman & Armbruster client is obligated to use Sherman & Armbruster, LLP for any accounting services and conversely, no accounting client is obligated to use the advisory services provided by us. Sherman & Armbruster, LLP's accounting services do not include the authority to sign checks or otherwise disburse funds on any of our advisory client's behalf.

These individuals will spend the majority of their time on their accounting practice: Pat Sherman and John Grant.

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

Our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws.

Investment Management by Sherman & Armbruster and our personnel owe a duty of loyalty, fairness and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

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

Investment Management by Sherman & Armbruster's Code of Ethics further includes the firm's policy prohibiting the use of material non-public information. While we do not believe that we have any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email sent to mja@s-a-cpa.com, or by calling us at 317-881-6670.

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

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

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

Item 12 Brokerage Practices

Selecting Custodial Firm(s)

Sherman & Armbruster, Inc. does not maintain custody of your assets that we manage, although we may be deemed to have custody of your assets if you give us authority to withdraw assets from your account (see *Item 15 – Custody*, below). Your assets must be maintained in an account at a “qualified custodian,” generally a broker-dealer or bank. We request that our clients use Charles Schwab & Co., Inc. (Schwab), a registered broker-dealer, member SIPC, as the qualified custodian. We are independently owned and operated and are not affiliated with Schwab. Schwab will hold your assets in a brokerage account and buy and sell securities when we or you instruct them to. While we request that you use Schwab as custodian, you will decide whether to do so and will open your account with Schwab by entering into an account agreement directly with them.

We seek to use a custodian who will hold your assets and execute transactions on terms that are, overall, most advantageous when compared to other available providers and their services. We consider a wide range of factors, including, among others:

- Combination of transaction execution services and asset custody services (generally without a separate fee for custody)
- Capability to execute, clear, and settle trades (buy and sell securities for your account)
- Capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- Breadth of available investment products (stocks, bonds, mutual fund, exchange-traded funds (ETFs), etc.)
- Availability of investment research and tools that assist us in making investment decisions
- Quality of services

- Competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate the prices
- Reputation, financial strength, and stability
- Prior service to us and our other clients
- Availability of other products and services that benefit us, as discussed below (see *“Products and Services Available to Us From Schwab”*)
- Prior service to us and our clients.

Sherman & Armbruster, Inc. does not receive fees or commissions from any of these arrangements.

Your Brokerage and Custody Costs

For our clients’ accounts that Schwab maintains, Schwab generally does not charge you separately for custody services but is compensated by charging you commissions or other fees on trades that it executes or that settle into your Schwab account. Schwab's fees applicable to our clients were based on the condition that our clients collectively maintain a total of at least \$10 million at Schwab. This commitment benefits you because the overall fees you pay are lower than they would be otherwise.

Because of this, in order to minimize your trading costs, we have Schwab execute most trades for your account. We have determined that having Schwab execute most trades is consistent with our duty to seek “best execution” of your trades. Best execution means the most favorable terms for a transaction based on all relevant factors, including those listed above (see *“Selecting Custodial Firm(s)”*).

Sherman & Armbruster, Inc. does not receive any portion of trading fees.

Products and Services Available to Us From Schwab

Schwab Advisor Services™ (formerly called Schwab Institutional®) is Schwab’s business serving independent investment advisory firms like us. They provide us and our clients with access to its institutional brokerage—trading, custody, reporting, and related services—many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients’ accounts, while others help us manage and grow our business. Schwab’s support services generally are available on an unsolicited basis (we don’t have to request them) and at no charge to us as long as our clients collectively maintain a total of at least \$10 million of their assets in accounts at Schwab. If our clients collectively have less than \$10 million in assets at Schwab, Schwab may charge us quarterly service fees of \$1,200. Following is a more detailed description of Schwab’s support services:

Services That Benefit You. Schwab’s institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some to which we might not otherwise have access or that would require a significantly higher minimum initial investment by our clients. Schwab’s services described in this paragraph generally benefit you and your account.

Services That May Not Directly Benefit You. Schwab also makes available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients' accounts. They include investment research, both Schwab's own and that of third parties. We may use this research to service all or a substantial number of our clients' accounts, including accounts not maintained at Schwab. In addition to investment research, Schwab also makes available software and other technology that:

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

Services That Generally Benefit Only Us. Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include:

- Educational conferences and events
- Consulting on technology, compliance, legal, and business needs
- Publications and conferences on practice management and business succession
- Access to employee benefits providers, human capital consultants, and insurance providers

Schwab may provide some of these services itself. In other cases, it will arrange for third-party vendors to provide the services to us. Schwab may also discount or waive its fees for some of these services or pay all or a part of a third party's fees. Schwab may also provide us with other benefits, such as occasional business entertainment of our personnel.

Our Interest in Schwab's Services

The availability of these services from Schwab benefits us because we do not have to produce or purchase them. We don't have to pay for Schwab's services so long as our clients collectively keep a total of at least \$10 million of their assets in accounts at Schwab. Beyond that, these services are not contingent upon us committing any specific amount of business to Schwab in trading commissions or assets in custody. The \$10 million minimum may give us an incentive to request that you maintain your account with Schwab, based on our interest in receiving Schwab's services that benefit our business rather than based on your interest in receiving the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest. We believe, however, that our selection of Schwab as custodian and broker is in the best interests of our clients. Our selection is primarily supported by the scope, quality, and price of Schwab's services (see "*Selecting Custodial Firm(s)*") and not Schwab's services that benefit only us. We have over \$100 million in client assets under management at December 31, 2010, and we do not believe that requesting our clients to collectively maintain at least \$10 million of those assets at Schwab in order to avoid paying Schwab quarterly service fees presents a material conflict of interest.

Item 13 Review of Accounts

I. INVESTMENT SUPERVISORY SERVICES - INDIVIDUAL PORTFOLIO MANAGEMENT (CONTINUOUS)

REVIEWS: While the underlying securities within Individual Portfolio Management Services accounts are continually monitored, these accounts are reviewed at least quarterly. Accounts are reviewed in the context of each client's stated investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment.

These accounts are reviewed by: Martin J. Armbruster, CPA, PFS, CFP (President and CCO) and Stephanie Willison, CPA, PFS, CFP

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

II. PORTFOLIO MANAGEMENT SERVICES (NON-CONTINUOUS)

REVIEWS: While the underlying securities within Individual Portfolio Management Services accounts are continually monitored, these accounts are reviewed upon the client's request. Accounts are reviewed in the context of each client's stated investment objectives and guidelines. Reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment, but the client must initiate the review process.

These accounts are reviewed by: Martin J. Armbruster, CPA, PFS, CFP (President and CCO) and Stephanie Willison, CPA, PFS, CFP

REPORTS: In addition to the monthly statements and confirmations of transactions that Portfolio Management Services clients receive from their broker-dealer, Investment Management by Sherman & Armbruster will provide quarterly reports summarizing account performance, balances and holdings.

III. PENSION CONSULTING SERVICES

REVIEWS: Investment Management by Sherman & Armbruster will review the client's Investment Policy Statement (IPS) whenever the client advises us of a change in circumstances regarding the needs of the plan. Investment Management by Sherman & Armbruster will also review the investment options of the plan according to the agreed upon time intervals established in the IPS. Such reviews will generally occur quarterly.

These accounts are reviewed by: Martin J. Armbruster, CPA, PFS, CFP (President and CCO) and Timothy Dages, CPA

REPORTS: Investment Management by Sherman & Armbruster will provide reports to Pension Consulting Services clients based on the terms set forth in the client's Investment

Policy Statement (IPS).

IV. FINANCIAL PLANNING SERVICES

REVIEWS: While reviews may occur at different stages depending on the nature and terms of the specific engagement, typically no formal reviews will be conducted for Financial Planning clients unless otherwise contracted for.

REPORTS: Financial Planning clients will receive a completed financial plan as defined in the engagement letter. Additional reports will not typically be provided unless otherwise contracted for.

V. CONSULTING SERVICES

REVIEWS: While reviews may occur at different stages depending on the nature and terms of the specific engagement, typically no formal reviews will be conducted for Consulting Services clients unless otherwise contracted for. Such reviews will be conducted by the client's account representative.

REPORTS: These clients will receive reports as contracted for at the inception of the advisory engagement.

Item 14 Client Referrals and Other Compensation

We receive an economic benefit from Schwab in the form of the support products and services it makes available to us and other independent investment advisors whose clients maintain their accounts at Schwab. These products and services, how they benefit us, and the related conflicts of interest are described above (see Item 12 - Brokerage Practices). The availability to us of Schwab's products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

It is Investment Management by Sherman & Armbruster's policy not to engage solicitors or to pay related or non-related persons for referring potential clients to our firm.

It is Investment Management by Sherman & Armbruster's policy not to accept or allow our related persons to accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services we provide to our clients.

Item 15 Custody

We previously disclosed in the "Fees and Compensation" section (Item 5) of this Brochure that our firm directly deducts advisory fees from client accounts.

Under government regulations, we are deemed to have custody of your assets if, for example, you authorize us to instruct Schwab to deduct our advisory fees directly from your account. Schwab maintains actual custody of your assets. You will receive account

statements directly from Schwab at least quarterly. They will be sent to the email or postal mailing address you provided to Schwab. You should carefully review those statements promptly when you receive them. We also urge you to compare Schwab's account statements to the quarterly statements you will receive from us.

As part of our billing process, we advise Schwab of the fee(s) to be deducted from our client accounts. Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact us directly if they believe that there may be an error in their statement.

Item 16 Investment Discretion

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

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

- Determine the security to buy or sell; and/or
- Determine the amount of the security to buy or sell

Our policy is generally to contact the client before placing a trade. We do, however, use our discretionary authority to replace individual bonds that are called or have matured as appropriate.

Investment Management by Sherman & Armbruster requires that it be provided with written authority to determine which securities and the amounts of securities that are bought or sold in a client's account. The client signs a limited power of attorney so Sherman & Armbruster, Inc. can instruct the qualified custodian (Schwab) to execute the trades associated with your Investment Policy Statement.

Clients give us discretionary authority when they sign a discretionary agreement with our firm, and may limit this authority by giving us written instructions. Clients may also change/amend such limitations by once again providing us with written instructions.

Item 17 Voting Client Securities

As a matter of firm policy, we do not vote proxies on behalf of clients. Therefore, although our firm may provide investment advisory services relative to client investment assets, clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets. Clients are responsible for instructing

each custodian of the assets, to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets.

We do not offer any consulting assistance regarding proxy issues to clients.

Item 18 Financial Information

Investment Management by Sherman & Armbruster has no additional financial circumstances to report.

Under no circumstances do we require or solicit payment of fees in excess of \$1200 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

Investment Management by Sherman & Armbruster has not been the subject of a bankruptcy petition at any time during the past ten years.