

## **Item 1: Cover Page**

Serious Stewardship LLC  
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This brochure was last updated on March 23, 2011.

This brochure provides information about the qualifications and business practices of Serious Stewardship LLC. If you have any questions about the contents of this brochure, please contact A. Andrew Marwede, Chief Compliance Officer, who is responsible for Serious Stewardship LLC's regulatory requirements, at 847-234-0808.

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Registration with the SEC and other state securities authorities as a registered investment adviser does not imply a certain level of skill or training.

Additional information about Serious Stewardship LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The CRD number for Serious Stewardship LLC is 130544.

## **Item 2: Summary of Material Changes**

On July 28, 2010, the United State Securities and Exchange Commission published "Amendments to Form ADV," adopting new rules which amend the disclosure document ("Brochure") that we provide to clients as required by SEC Rules. Accordingly, this Brochure is materially different in structure and requires certain new information that our previous brochure did not require. Pursuant to the new SEC Rules, we will ensure that all of our current clients receive this Brochure, in its entirety, by the deadline as set forth by the SEC.

In this "Summary of Material Changes", we discuss only the material changes since the last annual update of this Brochure, which occurred on April 5, 2010:

- (1) We provide additional disclosures regarding material conflicts of interest which may exist, and how we manage those conflicts in order to keep our clients' best interests paramount at all times. Specifically, we provide enhanced disclosures regarding our relationships with qualified custodians (i.e., discount brokerage firms) and certain investment product providers whom we recommend to our clients. Please refer to Items 5, 11 and 12 of this Brochure.
- (2) We provide a more extensive review of our investment policies and practices, and the risks attendant to those strategies, and the risks of specific asset classes or investment products we may recommend to our clients. Please refer to Item 8 of this Brochure.

(3) We further detail our firm practices with regard to our non-acceptance of "custody" of client accounts. We have chosen to utilize independent qualified custodians, such as Fidelity, for the safety of our clients' funds. These qualified custodians provide separate monthly or quarterly statements, directly to our clients, detailing their account holdings. Please refer to Item 15 of this Brochure. We also encourage each of our clients to carefully review the account statements received from the qualified custodian, and to compare those statements to the portfolio statements our firm provides.

Due to the extensive formatting changes, we suggest that all of our clients review this new Brochure upon its receipt, and also with their Financial Advisor during their next meeting.

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

##### **Summary: About Serious Stewardship LLC**

Serious Stewardship LLC was formed in early 2004 by A. Andrew Marwede, who desired his clients to receive truly objective investment advice, dedicated to the fiduciary principle that the client's best interests should remain paramount at all times.

Serious Stewardship LLC provides investment advisory services to select individual clients, as well as trusts and business entities. We are in our seventh year of operation. We are a fee-only firm, and we strive to act in our clients' best interests at all times. We utilize a multi-disciplinary approach to addressing clients' financial, tax, estate, and risk management planning needs. With the consent of our clients, we often consult with our clients' other professional advisors as planning recommendations are formulated and/or implemented. For more information on our founding member, please refer to the biography found near the end of this brochure, in Part 2B.

With regard to our investment philosophy, we believe that our clients are best served, in the context of conservative investment portfolios, to tilt their portfolios toward small capitalization and value stocks, using broad diversification. This often permits a lowering of the client's overall allocation to equities, should the client so choose, which in turn increases the allocation of a client's portfolio toward short-term and mid-term fixed income investments of generally high quality. Our research has shown that this usually results in a "smoother ride" for our clients, with likely similar long-term (20-years or longer) portfolio returns.

Serious Stewardship LLC generally recommends institutional-class stock mutual funds with low annual expense ratios and extremely low internal transaction costs. At times, we may recommend other low-cost investment solutions, such as low cost bond funds, individual fixed income securities, and other products. While model portfolios may be utilized for some of our clients, our advisory services are generally tailored to meet the individual needs of our clients. For more on our investment philosophies, and the risks of our strategies and/or specific investments recommended, please refer to Item 8.

We actively seek to avoid or minimize potential conflicts of interest which may exist between our firm and our clients. We sell no products. We accept no commissions. We do not recommend any fund which possesses a 12b-1 fee. However, all investment advisory firms will likely possess some unavoidable conflicts of interest. In those instances when conflicts of interest arise, Serious Stewardship LLC has adopted policies which seek to keep our clients' best interests paramount at all times. Please refer to Items 5, 11, and 12 of this Brochure, and other items, which explore in further detail how we act to keep our clients' best interests first at all times during the course of the relationship with our clients.

More information regarding our firm is found in the pages that follow.

##### **Our Sole Owner**

The sole owner of Serious Stewardship LLC is A. Andrew Marwede.

##### **Amount of Assets under Advisement**

As of March 23, 2011, Serious Stewardship provided advice (either as primary advisor or sub-advisor) on approximately \$108,203,200 of financial assets for approximately 16 family groups. These include all financial assets of clients who engage Serious Stewardship for ongoing advice on their investment portfolios, which Serious Stewardship believes is continuous and regular in nature. Of these assets under advisement, all is managed on a discretionary basis and none are managed on a non-discretionary basis.

#### Non-Participation in Wrap Fee Programs

Serious Stewardship, as a matter of policy and practice, does not sponsor any wrap fee programs. A wrap fee program is defined as any advisory program under which a specified fee or fees not based directly upon transactions in a client's account is charged for investment advisory services (which may include portfolio management or advice concerning the selection of other investment advisers) and the execution of client transactions.

#### Advisory Services Offered

Our Services are tailored to meet Client Needs and Any Imposed Investment Restrictions In general, Serious Stewardship's advisory services are tailored to meet the needs of each individual client. While model portfolios may be utilized for some clients, for most clients each investment portfolio is individually designed. As appropriate, clients typically have a conference with their advisor at least annually (and sometimes more often) to review any changes to the client's overall financial situation and the investment portfolio upon which is advice is provided.

Serious Stewardship will evaluate all publicly traded investments, but primarily recommends to its clients institutional-style and no-load mutual funds and other low-cost investment vehicles, and for some clients municipal notes and bonds and other fixed income securities. Serious Stewardship also considers, in providing advice to clients, investments held in 401(k), 403(b), or other qualified retirement plan accounts, as well as nonqualified annuities; Serious Stewardship may evaluate the offerings of such retirement plans and annuities when constructing an overall investment portfolio for the client.

After consultation with their adviser, clients may impose restrictions on investing in certain securities or types of securities. This most often occurs when clients request certain social investing needs be addressed, such as through the use of mutual funds which avoid investments in certain companies. Other restrictions may be imposed by clients with respect to the (average or longest) maturity or credit quality of fixed income investments.

#### Our Policies on Class Actions, Bankruptcies, and Other Legal Proceedings

Clients should note that Serious Stewardship will generally not advise upon, nor act on behalf of, the client in legal proceedings involving companies whose securities are held or previously were held in the client's account(s), including, but not limited to, the filing of "Proofs of Claim" in class action settlements. If desired, clients may direct Serious Stewardship to transmit copies of class action notices to the client or a third party. Upon

such direction, Serious Stewardship will make commercially reasonable efforts to forward such notices in a timely manner.

#### **Item 5: Fees and Compensation**

Serious Stewardship offers clients of the firm several wealth management services, generally comprised of:

- a. Our Ongoing Scholarly Research and Analysis. Our continuing study of macroeconomic conditions, our historical analysis of capital markets with a view toward estimating long-term returns of certain asset classes, our scholarly research with regard to the deployment of capital in ways to reduce various risks, our reviews of specific investment products and our insights into other matters affecting clients' investments.
- b. Development of Investment Plan and Investment Policy Statement. We will typically prepare for the client an Investment Policy Statement (also called an "Investment Plan") which includes a review of the client's current investment assets, an educational overview of the academic research applied in the construction and management of the client's investment portfolio, and a customized strategic asset allocation. This Investment Policy Statement may thereafter be amended from time to time if and when the client's circumstances change.
- c. Initial Implementation of Investment Plan, including assistance with account transfers and all trades or other transactions to be undertaken.
- d. Periodic Reports from Serious Stewardship LLC, which shall include a consolidated inventory of the investments upon which we provide advice to the client. Such reports may also include a performance report for the client's portfolio. In addition, we can provide the client with a realized gains and loss report for any taxable account the client possesses, to aid the client or his/her CPA/accountant/tax preparer in income tax preparation.
- e. Monthly or Quarterly Statements Directly from Account Custodians. In addition, the client shall receive directly from all corresponding brokers, banks, mutual funds, partnership sponsors, and/or insurance companies that hold the client's investments, monthly or quarterly statements reflecting the client's investment(s) in their custody, together with (if desired by the client) confirmations of each transaction executed in the account(s). For some custodians, the client may elect to receive such monthly or quarterly statements and trade confirmations by e-mail, rather than by U.S. mail.
- f. Frequency of Personal Reviews. Client review meetings are scheduled periodically for clients and typically last one to three hours in length.
- i. Additional Informal Conferences and Telephone Conferences may be requested by the client from time to time, for no additional charge. Should, however, we believe that the time and expertise required to provide services to the client have become too great, relative to the fees paid by the client, we may suggest (in advance of providing services) either that additional fees be paid or that our agreement for services be terminated.
- j. Planning Topics which may be discussed during Formal Reviews. Set forth below are the planning topics which may be discussed during scheduled conferences and telephone conferences. Only such topics as the client and his/her advisory team deem pertinent are discussed at formal review conferences. Note that some advice upon some



planning topics may be restricted due to licensure and/or legal requirements, and referral to the appropriate professional on such topics may be undertaken if desired.

- (1) Development and subsequent reviews of the client's personal financial situation and goals;
- (2) Development of Action Steps for investment strategy implementation;
- (3) Obtain Cost Basis of securities held in taxable accounts from client;
- (4) Evaluate 401(k), 403(b) and Other Employer-Sponsored Retirement Plan Investment Options, provide recommendations to client, and integrate with other portfolio holdings;
- (5) Security Evaluation: Hold, Buy, or Sell;
- (6) Single stock exposure / strategy formulation to deal with exposure to concentrated positions in publicly traded stock;
- (7) Cash Reserve Account assessment and recommendations;
- (8) Cash Flow Management, Debt Reduction Strategies, and Major Financial Purchases or Sales;
- (9) Funding of Retirement Accounts, including consideration of optimum funding and possible conversion opportunities;
- (10) Retirement Account Distribution Planning for qualified retirement plan accounts and traditional IRAs;
- (11) Stock Options – advice upon the exercise or non-exercise of qualified and nonqualified stock options;
- (12) Tax Loss Harvesting, when available and appropriate;
- (13) College Expense Funding solutions;
- (14) Estate Planning needs discussion and referral to appropriate legal counsel, if desired;
- (15) Asset Protection Planning discussion as to potential future claims of general creditors and, when appropriate, referral to legal counsel;
- (16) Investment Policy Statement development, implementation, and reviews;
- (17) Investment Strategy and Products Discussion.

Note: Additional fees may be charged by Serious Stewardship, as specified in the Investment Advisory Agreement, should the scope of projects under the above planning topics exceed the general and reasonable scope expected for each planning topic. (For example, extensive research, analysis, and recommendations relating to cost basis research, etc.) Additional fees charged by Serious Stewardship shall be agreed upon with the client in writing in a separate written fee agreement.

Our Fees: Serious Stewardships' annual fee is billed as a percentage of the assets under advisement, according to the market value of the investments, according to the schedule below. The investment management fee charged shall vary (between 0.125% and 0.50%) depending upon the specific type of investment management services required and the market value of assets under management (including cash, cash equivalents and money market funds). While the basic annual fee is negotiable, it shall generally fall within the following ranges. Fees are paid in quarterly installments, in arrears:

- \$10,000,000 to \$25,000,000 is charged .50% per year
- \$25,000,000 to \$50,000,000 is charged .375% per year

- \$50,000,001 to \$100,000,000 is charged .25% per year
- \$100,000,001 to \$500,000,000 is charged .125% per year

Serious Stewardship may, in its sole discretion, require a lesser account minimum, reduce its minimum annual fee and/or charge a lesser investment management fee based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

#### How Fees are Calculated.

Billing amounts are based upon the value (market value or fair market value in the absence of market value) of the client's account(s) (including both securities and cash) at the end of the previous quarter (or, for new clients, upon a date agreed to by Serious Stewardship and the client). Valuations are derived from recognized and independent pricing sources, such as Fidelity Institutional or other custodians.

**Minimum and Maximum Fees.** The minimum fee charged is \$10,000 per year. There is no maximum fee.

#### When Fees are Paid.

Fees are billed and paid quarterly, at the end of the quarter, and are based upon the values of the financial assets upon which advice is provided as of the end of the preceding quarter.

#### How Fees are Paid.

Fees may be deducted from clients' account(s) or paid directly by check by the client following receipt of a statement, or some combination of the foregoing, as the client desires.

#### Additional Fees Charged for Separate Services.

On occasion Serious Stewardship may charge clients with additional fees for the following projects. Serious Stewardship's staff time is then billed as a flat fee agreed upon ahead of time between Serious Stewardship and Client. Serious Stewardship may require a separate written agreement for these additional services, separate from the Investment Advisory Agreement.

- (1) In-depth, detailed analysis as to one or more planning topic as discussed and agreed upon between Client and Serious Stewardship.
- (2) Cost Basis Determinations.

#### Applicable to All Programs

##### Other Fees or Expenses Paid in Connection with Advisory Services

All fees paid to Serious Stewardship for investment advisory services are separate and distinct from the fees and expenses charged by separate account managers and mutual funds to their shareholders. Mutual fund expenses are generally described in each fund's prospectus. These expenses will generally include a management fee, other fund expenses, and possibly a distribution fee. In addition, mutual funds incur transaction costs and opportunity costs, which are not disclosed in the fund's prospectus and only partially disclosed in the fund's Statement of Additional Information, but which may be estimated based on a fund's turnover ratio and cash holdings.

Clients will incur transaction fees or commissions in connection with trading of mutual fund, ETF, individual stock and bonds (and/or principal mark-ups and mark-downs for principal trades), which are charged by the custodian (brokerage firm holding the client's assets for safekeeping). Mutual fund transaction fees charged by our recommended custodian, FIDELITY INVESTMENTS INSTITUTIONAL SERVICES, generally vary from \$25 to \$35 for each purchase and sale transactions. The transaction costs for stock and bond trades vary. Accordingly, the client should review both the fees charged by the funds (including transaction and opportunity costs within funds which are not included in a fund's annual expense ratio), the transaction fees charged by the custodian, as well as the fees charged by Serious Stewardship, to fully understand the total amount of fees and costs paid by the client, in connection with any recommended transaction. For a discussion of our practice in recommending brokers (custodians) to our clients and negotiating brokerage fees on their behalf, please refer to Item 12.

Clients may also incur "account termination fees" upon the transfer of an account from one brokerage firm (custodian) to another. The range for these account termination fees is believed to range generally from \$0 to \$200 at present, but at times may be much higher. Clients should contact their custodians (brokerage firms, bank or trust company, etc.) to determine the amount of account termination fees which may be charged and deducted from their accounts for any existing accounts which may be transferred.

#### Aggregation of Client Accounts

Individual accounts for immediate family members (husband, wife, and dependent children) are aggregated, and our fees are charged based on the total value of such family members' accounts. Aggregation of accounts of non-immediate family members (such as adult children, parents, and/or grandchildren) are usually subject to separate written agreements and are not aggregated, this policy is subject to negotiation.

#### When Authorized, Deduction of Fees from Client Accounts

Clients may choose whether to have their fees billed directly or deducted from client accounts. Clients will receive custodial statements showing the advisory fees debited from their account(s).

#### No Sharing of Account Appreciation; No Performance Fees

All fees are calculated as described above and are not charged on the basis of a share of capital gains upon or capital appreciation of the funds or any portion of the funds of an advisory client.

#### Cancellation and Termination of Investment Advisory Agreements

Clients may cancel the Investment Advisory Agreement without penalty by providing written notice of such cancellation to Serious Stewardship (email will not suffice). Upon termination of any account, any prepaid, unearned fees will be promptly refunded, with the refund calculations based pro rata to the date of termination. Termination of an agreement will not affect: (a) the validity of any action previously taken by Serious Stewardship under the agreement; (b) liabilities or obligations of the parties from transactions initiated before termination of the agreement- or (c) a client's obligation to pay advisor fees (prorated through the date of termination). Upon the termination of the

agreement, Serious Stewardship will not possess any obligation to recommend or take any action with regard to the securities, cash, or other investments in a client's account.

#### Proper Management of Conflicts of Interest between Clients

Serious Stewardship's relationship with each client is non-exclusive; in other words, Serious Stewardship provides investment advisory services to multiple clients. Serious Stewardship seeks to avoid situations in which one client's interests may conflict with the interests of another of our clients. However, one circumstance which could arise is a sudden sharp downturn in the values of one or more stock asset classes, thereby triggering (under adopted investment policies with the vast majority of Serious Stewardship's clients) the need to rebalance the investment portfolios. In this instance, Serious Stewardship seeks to rebalance each client's investment portfolio on a timely basis, keeping in mind that most mutual fund trades occur at the end of a trading day. In ascertaining which client portfolios to attend to first, Serious Stewardship might rank clients by the amount of assets under advisement as of the last quarterly period from highest to lowest, and generally proceed to rebalance portfolios accordingly.

#### Proper Management of Conflicts of Interest Relating to the Fees We Receive from Clients

The vast majority of our clients pay Serious Stewardship fees based upon a percentage of the assets we advise upon. This is a very common form of compensation for registered investment advisory firms and avoids the multiple inherent conflicts of interest associated with commission-based compensation (Serious Stewardship does not accept commission-based compensation of any nature, nor does Serious Stewardship accept 12b-1 fees). Asset-advised-upon percentage method of compensation can still, at times, lead to conflicts of interest between our firm and our client as to the advice we provide. For example, conflicts of interest may arise relating to the following financial decisions in life: incur or pay down debt; gifts of funds to charities or individuals; purchases of a home or cars or other non-investment assets; the purchase of a lifetime immediate annuity; expenditures of funds for travel or other activities; investment in private investments (private real estate ventures, closely held businesses, etc.); and the amount of funds to place in non-managed cash reserve accounts. Our goal, however, is that our advice to you remains at all times in your best interests, disregarding any impact of the decision upon our firm.

#### Comparable Services.

Serious Stewardship believes that the charges and fees offered within its program are competitive with alternative programs available through other firms offering a similar range of services; however, lower fees for comparable services may be available from other sources. A client could invest in mutual funds directly, without the services of Serious Stewardship. In that case, the client would not receive the services provided by Serious Stewardship which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives, undertake a disciplined approach to portfolio rebalancing while taking into account the tax ramifications of same, and to avoid ad hoc emotional reactions to shorter-term market events. Also, the institutional stock and bond funds of

Dimensional Fund Advisers may not be available to the client directly without the use of an investment adviser granted access to such funds.

### **Item 6: Performance-Based Fees and Side-by-Side Management**

Item 6 is inapplicable to Serious Stewardship. Serious Stewardship does not accept performance-based fees, nor manage accounts which impose performance-based fees. [Performance-based fees are fees based on a share of capital gains on or capital appreciation of the assets of a client. Performance-based fees may provide an incentive to favor some accounts over the accounts of clients under our other advisory programs. Serious Stewardship considers avoidance of such conflict a paramount policy in maintaining our fiduciary duty to our clients, and hence does not employ performance-based fee methods.]

### **Item 7: Types of Clients**

Serious Stewardship generally offers its services to individual and their families, including high net worth individuals and trusts. Serious Stewardship may also provide services to pension and profit sharing plan participants, foundations and other institutions, and business entities.

There is a minimum level of assets under management of \$10,000,000. Serious Stewardship does not have a maximum level.

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

Generally, Serious Stewardship provides an investment strategy and its implementation for most clients. Clients of Serious Stewardship receive the benefit of our investment philosophies, strategies, due diligence, account monitoring, and certain personal financial planning recommendations.

Serious Stewardship establishes the overall investment strategies employed, reviews the brokerage firms we may recommend to our clients, and approves of particular investments which may be used.

Expansive academic research, investment information, and certain proprietary analyses are drawn upon in order to provide innovative and comprehensive wealth management and investment advisory services. New clients receive a written Investment Policy Statement, which sets forth a recommended strategic asset allocation. Specific no-load (no commissions, no 12b-1 fees) investments are then recommended to clients. Clients' portfolios are then periodically monitored, and changes to investment portfolios are suggested when appropriate. A dynamic approach to rebalancing is employed in order to maintain asset class exposures within desired risk tolerances, subject to variances permitted for tax planning or other reasons. Clients may either provide, or withhold, discretion for the investment advisor to undertake trades on clients' accounts.

Methods of Analyses and Investment Strategies

Generally, in designing investment plans for clients, Serious Stewardship relies upon the information supplied by the client and the client's other professional advisors. Such information may pertain to the client's financial situation, estate planning, tax planning, risk management planning, short-term and long-term lifetime financial goals and objectives, investment time horizon, and perceived current tolerance for risk. This information becomes the basis for a strategic asset allocation which we believe will best meet the client's stated long-term personal financial goals. The strategic asset allocation, incorporates those asset classes which Serious Stewardship believes (based upon historical data and our own proprietary analysis) will possess attractive combinations of return, risk, and correlation over the long term.

A tremendous amount of academic research reveals that strategic asset allocation is determinative of the majority of the expected long-term gross returns of investors' portfolios. Our selection of asset classes is driven by research into global asset classes by such academics as Professor Eugene Fama, Sr. of the University of Chicago Booth Graduate School Of Business and the Center for Research in Security Prices, Professor Kenneth French of Dartmouth College, and many other academics and researchers. The investment advice which Serious Stewardship provides is based upon long-term investment strategies which incorporate the principles of Modern Portfolio Theory. The utilization of several different asset classes as part of an investor's portfolio is emphasized, as this has been shown to usually effect a reduction in portfolio volatility (i.e., the standard deviation of the portfolio returns) over long periods of time. Serious Stewardship allocates and diversifies the client's assets among various asset classes and then among individual investments.

Serious Stewardship's investment approach is firmly rooted in the belief that markets are fairly efficient (although not always rational) and that investors' gross returns are determined principally by asset allocation decisions. A focus is provided on developing and implementing globally diversified portfolios, principally through the use of low-cost and tax-efficient passively managed stock mutual funds that are generally available only to institutional investors and clients of advisers granted access to such funds, as well as through fixed income investments and mutual funds holding publicly traded REITs. Investment policy and overall portfolio weightings as between equities and fixed income investments are based upon each client's needs and desires, perceived risk tolerance and the need to assume various risks, and investment time horizon. The portfolios of clients may then follow models designed by Serious Stewardship to fit the overall weightings of equities (stocks, stock mutual funds, etc.), REITs, and fixed income investments (notes, bonds, bond funds, CDs, etc.) in an investor's portfolio. For other clients, the investment portfolio's strategic asset class allocation is customized to meet the specific circumstances of a client, the presence of investments in 401(k) or other accounts, as well as a perception of the client's understanding of the fundamental forces affecting risk and return in the capital markets.

In addition, a client's initial or revised strategic asset allocation may be influenced by a review of the relative valuation levels of various asset classes and the investment time horizon of that client. While asset class "bubbles" are attempted to be discerned when they occur, and if discerned may warrant changes to a client's asset allocation, tactical

asset allocation strategies are not generally employed in connection with the management of client portfolios.

#### Methods of Analysis: Sources of Information

Our security analysis is based upon a number of factors, including those derived from commercially available software technology, securities rating services, general economic and market and financial information, due diligence reviews, and specific investment analyses that clients may request. The main sources of information include commercially available investment information and evaluation services, financial newspapers and journals, academic white papers, and other periodicals. Prospectuses, statements of additional information and other issuer-prepared information are also utilized.

Research is also received from consultants, including financial economists affiliated with Dimensional Fund Advisors (DFA) and other firms. DFA provides historical market analysis, risk/return analysis, and continuing education services. Various computer software programs from DFA and from other third parties may also be utilized to better model the historical and/or expected returns of designed portfolios. The historical valuation levels of various asset classes (as measured by p/b, p/e, p/c, and/or p/s data for various stock indexes) are also utilized by Serious Stewardship to undertake estimates of the probable long-term (15-year) expected returns of various asset classes, as a means of aiding investment and financial planning decision-making.

#### Types of Investments

Each client typically receives an investment portfolio which consists mainly of no-load stock and bond mutual funds. The passively managed stock funds offered by Dimensional Fund Advisors (DFA) are often recommended. DFA mutual funds offer broad diversification and most are structured for low turnover, so as to substantially lessen the often substantial transaction costs incurred by most mutual funds and ETFs as they trade securities within the fund. Consequently,

DFA stock mutual funds' total fees and costs are believed to be generally lower than the total fees and expenses incurred by most other stock mutual funds (including many ETFs and index funds) when comparing funds in the same asset class(es).

Many investment portfolios also include individual fixed income investments (bonds, CDs, etc.) and/or bond funds (often from DFA and Vanguard). For clients with a substantial fixed income allocation, Serious Stewardship generally recommends a combination of bond funds and individual fixed income investments, with recommended actual investments dependent upon Serious Stewardship's views of the risk/return relationship for various forms of fixed income investments or bond funds. Serious Stewardship will typically request discretionary authority from clients to manage individual fixed income assets, as such may be necessary to enable the investment adviser to purchase or sell such assets in a timely manner at quoted prices.

Client portfolios may also include some individual equity securities, but these are generally part of clients' investment holdings prior to becoming a client of Serious Stewardship. However, clients with significant amounts to devote to investing in equities (\$15 million or greater, generally) may also participate in a separate account program, which includes individual stocks using a highly diversified approach. This separate

account program utilizes Dimensional Fund Advisors as the separate account manager, and may employ individual stocks as well as the use of Dimensional's mutual funds for some foreign stock or other asset class exposures.

Publicly traded real estate investment trusts (REITs) and commodities index or passive mutual funds or ETFs may be recommended for certain clients who desire to include real estate or commodities in their asset allocation strategy.

Insurance products such as annuities and various types of life insurance products may also be evaluated. Recommendations may be undertaken to clients to invest in low-cost, no-load (no commission) variable or fixed deferred or immediate annuities when appropriate to the circumstances and tax situation of the client. More often, this occurs when a client possesses an existing high-cost variable annuity, and a rollover of the annuity is indicated rather than redemption for tax planning purposes, in order to seek to lower the total fees and costs paid by the client and/or provide different investment choices. At times, clients may be advised to retain an existing annuity, previously purchased by the client, or undertake partial or full surrenders of same (and/or tax-free exchanges), following an evaluation of the annuity contract, riders thereto, investment alternatives within the annuity and their fees and costs, and any surrender fees which may be imposed by the insurance company.

New clients' existing investments are evaluated in light of the desired investment policy objectives. We work with new clients to develop a plan to transition from a client's existing portfolio to the desired portfolio. Investment advice may be offered on any investments held by a client at the start of the advisory relationship. Each client's portfolio holdings and strategic asset allocation are then monitored periodically, taking into account the cash flow needs of the client. Review meetings with clients are held regarding their investment assets under advisement and other personal financial planning issues.

#### Risk of Loss, Generally

Investing in securities involves a risk of loss that clients should be prepared to bear. The investment recommendations seek to limit risk through broad global diversification in equities (through broadly diversified stock mutual funds and/or separate account management programs) and investment in high quality fixed income securities or diversified bond funds.

However, the investment methodology will still subject the client to declines in the value of their portfolios, which can at times be dramatic. We believe there exists a high probability in most market environments of a long-term (20-year or greater) outperformance of small cap and value stocks, relative to large cap and growth stocks, and hence the stock (equities) portion of an investor's portfolio may be "tilted" toward small cap and value stocks. Accordingly, the normally greater expected returns of the equity portion of the portfolio will, in turn, often permit the overall allocation to equities (stocks, stock mutual funds) to be reduced, and the allocation to fixed income investments increased. Serious Stewardship believes this is the best manner to temper the shorter-term volatility of the stock market, especially for clients who derive cash flow from their portfolios (such as clients who are in retirement years).

Given the long-term nature of the expected equity premium (i.e., the additional expected return for investing in the overall stock market, relative to less "risky" U.S. Treasury



bills), and the long-term nature of the expected value and small cap effects, Serious Stewardship's investment philosophy is best suited for investors who desire a buy and hold strategy for a substantial portion of their funds. Serious Stewardship's stock mutual fund (or separate account manager) strategies are usually appropriate for clients possessing an investment time horizon of a minimum of ten years, and preferably even longer. Even then, investing is inherently uncertain as to future returns. While both macroeconomic and microeconomic risks are evaluated, for purposes of weighing risks and returns and for the computation of the expected returns of various asset classes (for use in financial planning decision-making), Serious Stewardship does not generally engage in market-timing activities. Serious Stewardship believes the equity, value and small cap effects are highly likely to occur in the future, over long periods of time. However, there can be no assurance that these effects will occur over any given time period. While Serious Stewardship seeks to reduce non-compensated risks to which a client may be exposed, other risks (including but not limited to the risk of a general stock market decline) may be assumed in order to seek to attain the client's longer-term financial goals and objectives. However, Serious Stewardship cannot provide any guarantee that the client's goals and objectives will be achieved.

#### Risk of Loss, Certain Higher-Risk Securities

Certain securities recommended, such as U.S. small cap value and mid cap value stock mutual funds, U.S. small cap and micro cap mutual funds, and similar pooled investment vehicles inside variable annuities, possess higher levels of volatility (as individual asset classes within a portfolio). Serious Stewardship may employ these securities as part of an overall strategic asset allocation for a client, and when such is undertaken, Serious Stewardship possesses a reasonable belief that the risk-return relationship for these securities will likely be beneficial for the investor over the long term.

Please also note that while all Certificates of Deposit (CDs) purchased for our clients are FDIC-insured, the pricing of certain of these CDs, which trade in the secondary market, can vary; accordingly, due to price declines and/or transaction costs associated with trading, these CDs could lose value if redeemed prior to maturity. When CDs are recommended to clients, it is our intent that clients hold the CDs to maturity.

#### Cash Balances in Client Accounts

Cash in clients' investment accounts are typically swept into the bank or money market mutual fund accounts of the institutions (i.e. FIDELITY INVESTMENTS INSTITUTIONAL SERVICES). Serious Stewardship discusses with each client, during the time of review meetings and at other times, upcoming cash flow needs and seeks to plan accordingly to meet those needs. While it is not always the practice to encourage clients to maintain a large amount of cash in their accounts, such may be undertaken at the request of the client, to facilitate billing of Serious Stewardship's periodic fees or for other reasons. Upon request of a client, cash balances will be maintained for temporary or short-term purposes.

### **Item 9: Disciplinary Information**

Registered investment advisors are required to disclose all material facts regarding any legal or disciplinary events of their firm or certain management personnel which would be material to your evaluation of Serious Stewardship or the integrity of Serious Stewardship's management of your investment portfolio.

Neither Serious Stewardship nor any employee of Serious Stewardship possess any legal or disciplinary events which, in the judgment of Serious Stewardship's Chief Compliance Officer, are required to be disclosed under the guidelines for such disclosure promulgated by the U.S. Securities and Exchange Commission.

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

Neither Serious Stewardship nor any employee of Serious Stewardship possess any Financial Industry Activity or affiliation which, in the judgment of Serious Stewardship's Chief Compliance Officer, are required to be disclosed under the guidelines for such disclosure promulgated by the U.S. Securities and Exchange Commission.

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

**We Seek to Avoid Material Conflicts of Interest**

To seek to avoid material conflicts of interest, generally neither Serious Stewardship nor its employees receive any third party direct monetary compensation (i.e., commissions, 12b-1 fees, or other fees) from brokerage firms (custodians) or mutual fund companies. However, some additional services and non-direct monetary or other forms of compensation are offered and provided to Serious Stewardship as a result of its relationships with custodian(s) and/or providers of mutual fund products. For example, Serious Stewardship's employees may be invited to attend educational conferences and/or entertainment events sponsored by such brokerage firms or custodians or mutual fund companies. Other services may be provided as outlined in Item 12. Serious Stewardship believes that the services and benefits actually provided to it by brokerage firms (custodians) and mutual fund providers do not materially affect the investment management recommendations made to clients of Serious Stewardship. However, in the interest of full disclosure of any potential conflicts of interest, we discuss the possible conflicts herein.

Although Serious Stewardship believes that its business methodologies, ethics rules, and adopted policies are appropriate to eliminate, or at least minimize, potential material conflicts of interest, and to manage appropriately any material conflicts of interest that may remain, clients should be aware that no set of rules can possibly anticipate or relieve all potential material conflicts of interest.

**Our Code of Ethics**

Serious Stewardship has adopted a Code of Ethics, to which all employees are bound to adhere. The key component of our Code of Ethics states:

Serious Stewardship LLC and its investment advisor representatives and employees shall always:

Act in the best interests of each and every client;  
Act with integrity and dignity when dealing with clients, prospects, team members, and others;  
Strive to maintain and continually enhance our high degree of professional education regarding Modern Portfolio Theory and strategic asset allocation; and  
Seek at all times to preserve our firm's independence and to maintain our complete objectivity with respect to our advisory services and each recommendation made to our clients.

#### Participation or Interest in Client Transactions and Personal Trading

Serious Stewardship does not currently participate in securities in which it has a material financial interest. Serious Stewardship and its related persons, as a matter of policy, do not recommend to clients, or buy or sell for client accounts, securities in which the firm or its related persons has a material financial interest.

Serious Stewardship's Code of Ethics provides that individuals associated with our firm may buy or sell securities for their personal accounts identical or different than those recommended to clients. However, it is the expressed policy of our firm that no person employed by the firm shall prefer his or her own interest to that of any advisory client nor make personal investment decisions based on investment decisions of advisory clients. To supervise compliance with the Code of Ethics, our firm requires that anyone associated with this advisory practice and who possesses access to advisory recommendations (before or at the time they are entered into) ("access persons") to provide annual securities holding reports and quarterly transaction reports to Serious Stewardship's Chief Compliance Officer or his/her designee. We also require access persons to receive advanced approval from Serious Stewardship's Chief Compliance Officer or his/her designee prior to investing in any initial public offerings or private placements, and with regard to trading of certain individual securities.

The Code of Ethics further includes our firm's policy prohibiting the use of material non-public information and protecting the confidentiality of client information. We require that all individuals must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices. Any individual not in observance of the above may be subject to discipline.

#### **Item 12: Brokerage Practices**

Serious Stewardship utilizes the services of FIDELITY INVESTMENT INSTITUTIONAL SERVICES. This custodian respectively provides our team members with access to institutional trading and custody services, which services are typically not available to retail investors. These services generally are available to independent investment advisors on an unsolicited basis and at no charge to them. However, not all independent investment advisors recommend that their clients utilize particular custodians.

FIDELITY INVESTMENTS INSTITUTIONAL SERVICES. Serious Stewardship participates in the FIDELITY INVESTMENTS INSTITUTIONAL SERVICES – Fidelity Registered Investment Advisor Group (FIAG) program. While there is no direct linkage between the investment advice given and participation in the FIAG program, economic benefits are received which would not be received if Serious Stewardship did not give investment advice to clients.

#### Discussion of Benefits to Serious Stewardship as to the Custodian

The benefits provided by the FIAG program include assistance with practice management and assistance with the management of client accounts, including but not limited to: (a) receipt of duplicate client confirmations; (b) receipt of electronic duplicate statements; (c) access to a trading desk serving investment adviser firm participants exclusively, and providing research, pricing information, and other market data; (d) access to the investment advisor portion of their web sites which includes practice management articles, compliance updates, and other financial planning related information and research materials (including, for example, rating reports on individual companies from Standard and Poors' or other sources)-

(e) access to other vendors (such as insurance or compliance providers, or providers or research or other materials) on a discounted fee basis through discounts arranged by the custodians; (f) permitting Serious Stewardship to access an electronic communication network for client order entry and to access clients' account information and which may otherwise assist Serious Stewardship with its back-office functions, including recordkeeping and client reporting; and (g) conferences at which advisors and employees of our firm may attend (with no registration fees) and receive education on issues such as practice management, marketing, investment theory, financial planning, business succession, regulatory compliance, and information technology.

Participation in the custodian's program also provides access to certain mutual funds which generally require significantly higher minimum initial investments or are generally available only to institutional investors, such as the mutual funds of Dimensional Fund Advisors.

The benefits received through participation in the custodians' programs may depend upon the amount of transactions directed to, or amount of assets placed in custody with these custodians. These benefits arise because Serious Stewardship does not have to provide or pay other third parties for these services and materials. Serious Stewardship may possess an incentive to recommend to its clients a certain custodian based upon Serious Stewardship's interest in receiving the research or other services or materials provided by these custodians, rather than on the basis of achieving the most favorable execution for our clients.

Generally, many of these services may be utilized to service all or a substantial number of our clients' accounts. Educational, research, or other services provided by custodians or mutual fund companies may benefit all of Serious Stewardship's clients or may benefit only some clients.

#### Our Recommendation of Brokerage Firms

Clients are permitted to direct Serious Stewardship to utilize their desired brokers. However, if such brokers are utilized, Serious Stewardship may not possess access to certain mutual funds and other investments that are generally available only to institutional investors or which would require a significantly higher minimum initial investment, and commission rates paid or transaction fees paid may be higher than the fees negotiated by Serious Stewardship. Hence, Serious Stewardship recommends certain custodians to our clients, for selection by the client.

While as a fiduciary, Serious Stewardship endeavors to act in its clients' best interests, our desire that clients maintain much of their assets in accounts at Fidelity may be based in part on the benefit to our firm of the availability of some products and services (previously described) at no cost to us, or at reduced costs, and not solely on the nature, cost, or quality of custody and brokerage services provided by the brokers, and this may create a potential conflict of interest. Serious Stewardship's clients may, therefore, pay higher transaction fees, commissions (for individual stock and ETF trades), and principal mark-ups and mark-downs (relating to purchases and sales on a principal, as opposed to an agency, basis), than those charged by other discount brokers. However, we have negotiated fees with the custodians we recommend, and we have selected these custodians for their generally lower fees relative to another large custodian. Also, please note that we prefer to recommend custodians who possess significant size and financial resources, for purposes of enhanced safety of clients' funds. For all of these reasons, the lowest cost custodian for clients may not be recommended to clients by Serious Stewardship.

#### Non-Aggregation of Client Trades

Serious Stewardship has chosen to not aggregate (combine) the trades of its clients. This is due to the fact that all trade decisions are reviewed for near-term and long-term tax efficiency, which requires individual analysis of most trading decisions. This individual analysis of trades does not lend itself to computer software programs which could aggregate trades. As a result, Serious Stewardship's clients do not receive the benefits of reduced transaction fees which aggregation of trades could provide to our clients, generally.

#### Non-Participation in Client Referral Programs of Custodians

Serious Stewardship will continue to avoid certain relationships with custodians (brokerage firms, etc.) and investment product providers which it believes might materially hamper its independence in its providing advice to its clients or results in clients paying higher mutual fund management, administrative, or other product-related fees and costs. For this and other reasons, Serious Stewardship does not participate in the client referral programs which may be sponsored by custodians.

Also, Serious Stewardship does not currently recommend to clients any mutual funds or ETFs (other than money market funds) manufactured by affiliates of such custodians (although we may, in the future, recommend such funds if, after a process of due diligence, Serious Stewardship concludes that such mutual funds are the best funds in that particular asset class or would otherwise best meet a client's objectives).

#### About Our Relationships with Investment Product Providers

Following a stringent interview process, Serious Stewardship was granted access by Dimensional Fund Advisors (DFA) to its mutual funds at the time of Serious Stewardship's inception of operations.

Dimensional Fund Advisors is a Santa Monica, California-based mutual fund company with over 40 funds and over \$206 billion of assets under management (as of December 31, 2010).

While there is no direct linkage between the investment advice given and the approval of Serious Stewardship to access the mutual funds of Dimensional Fund Advisors, economic benefits are received which would not be received if Serious Stewardship did not give investment advice to clients. These benefits, which are also received by other Registered Investment Adviser firms granted access to the DFA funds, include: (a) attendance at seminars hosted by DFA at which the investment products of DFA are explained, academic instruction is given on asset allocation strategies, and financial planning and practice management instruction is given. Serious Stewardship pays all of the travel and hotel costs for staff attending these seminars. DFA provides, at no charge to Serious Stewardship and the other attendees at such seminars, the speakers and facilities for the seminar, occasional luncheons or dinners, and the materials handed out at the seminar-(b) access to the "financial advisor" portion of the DFA web site ([www.dfaus.com](http://www.dfaus.com)), which contains additional academic research, practice management articles, newsletters, educational video presentations, software, and investment returns data; (c) use of the DFA Returns and DFA Allocation Evaluator software programs and accompanying data, which can be utilized to ascertain how different asset classes (as represented by various indices) and different mutual funds of DFA have performed over time and which provides a method for calculation based upon historical results of rate of return and standard deviation for those asset classes and mutual funds; (d) various print materials (including article reprints and DFA brochures); (e) occasional practice management conferences and telephone conferences with DFA's team members, including Regional Directors, research staff, and tax staff, to discuss specific issues relating to academic research relating to investment theory and/or relating to practice development (marketing) and management issues; (f) participation in a regional study group sponsored and hosted by DFA; and (g) other services and benefits.

Serious Stewardship is under no obligation to recommend the mutual funds of Dimensional Fund Advisors to Serious Stewardship's clients. Serious Stewardship recommends funds of Dimensional Fund Advisors or other mutual fund companies or other investment products only when Serious Stewardship believes they best suit the client's objectives. Serious Stewardship does not provide any payment to Dimensional Fund Advisors for the access provided to Serious Stewardship's clients. Dimensional Fund Advisors does not pay Serious Stewardship any direct monetary compensation in order to recommend the funds of Dimensional Fund Advisors.

### **Item 13: Review of Accounts**

#### **Portfolio Reviews and Rebalancing**

Portfolio reviews and rebalancing of the client's portfolio, for the assets held under advisement with Serious Stewardship, will be undertaken: (1) periodically as mutually

agreed upon; (2) upon request; and (3) upon a substantial asset class decline, under the following adopted policies and procedures.

Periodic Portfolio Reviews are undertaken by advisors of Serious Stewardship to ascertain if the values in any asset class have strayed beyond their desired minimums or maximums, and for purposes of meeting a client's cash flow needs. Even if one or more asset classes fall outside their desired minimums or maximums, the advisor may determine not to rebalance the asset class for various reasons, such as avoidance of short-term capital gains, deferring long-term capital gains realization, minimization of transaction costs, or our view on whether the asset class is undervalued or overvalued relative to historic norms and our view of the level of the macroeconomic risks to which the asset class may be exposed. Clients are generally only contacted in the event that rebalancing actions are recommended.

#### Additional Portfolio Reviews Upon Request

Additional portfolio reviews are undertaken upon request by the client, such as when special cash needs arise or when additional cash or securities are added to the investment portfolio. Serious Stewardship will respond to such requests within a reasonable period of time.

#### Special Procedures upon Major Market Change

Upon a substantial decline in the valuation of the stock markets, generally, or a specific stock asset class, an opportunity may be presented for rebalancing of a client's investment portfolio. In such event, our resources may be limited given the number of relationships with our clients, especially if the downward change in valuation of the asset class occurs suddenly. Serious Stewardship shall undertake rebalancing actions during this period as follows:

If the client has provided Serious Stewardship with "discretion", we shall seek to analyze the client's account during this time. Due to the large number of clients under advisement, priority may be based upon the total amount of assets under advisement, with clients who possess higher assets under advisement given greater priority. There is no assurance that Serious Stewardship can undertake rebalancing actions for all clients on the day in which rebalancing may be indicated; therefore, if Serious Stewardship cannot rebalance a client's account on a particular day, rebalancing of the account will normally occur shortly thereafter.

If the client has not provided Serious Stewardship with discretion, we will not necessarily analyze the client's account at times of a major market change. Rather, we will analyze the account only after accounts for which we have discretion have been examined.

All periodic account reviews, and reviews desired by special request of any client, will be suspended during the process of reviewing accounts upon a major market change.

If a client has provided Serious Stewardship with "discretion" to trade in his/her account(s), we may undertake sales and purchases in the account(s) without advance notification to the client. Following any exercise of discretion, we will typically thereafter (when time permits) seek to notify the client of the trades which have been taken.

#### Procedures Applicable to All Portfolio Reviews

Only no-load stock and bond and money market mutual funds and exchange-traded funds may be sold or purchased by us in the event of such a portfolio rebalancing. Preference is given to purchase additional shares in those stock mutual funds which the client currently owns, unless for such valid reason as we determine (avoiding wash sale rules, fund closing, etc.) a substitute fund is, in our judgment, more appropriate.

We may also undertake sales and purchases during this time to effect tax loss harvesting, in addition to rebalancing actions.

In undertaking rebalancing actions, we will seek to rebalance one or more asset classes closer to the targets. We may decline to rebalance a specific asset class, due to tax concerns, high transaction costs relative to the trade amount, or other reasons.

We may estimate the market close at any point during the day during which trades are being made, and undertake trades on that basis. Since the stock market is very volatile, especially in the last hour of trading, this may cause us to underestimate or overestimate the amount needed to effect a rebalancing action.

#### Portfolio Reports Provided to Clients

Periodic Reports from Serious Stewardship of the client's investment portfolio, including a consolidated inventory of the investments upon which advice is provided to the client, are provided to most clients. Such reports may also include a performance report of the client's portfolio. In addition, the client may be provided with a realized gains and loss report for any taxable accounts which are under advisement to aid the client's CPA/accountant/tax preparer in income tax preparation.

We may also offer periodic data for other investment accounts upon which we provide advice, not held at the foregoing custodians, if such information can be provided by the client. While we are hopeful that the information supplied by custodians is reliable, we cannot guarantee its accuracy.

Clients may also directly access account information at the custodians with which the accounts are held online (i.e. Fidelity Institutional), each and every business day, via the secure web sites of these institutions.

Monthly or Quarterly Statements Directly from Account Custodians are sent to the client directly from the corresponding brokers, banks, mutual funds, partnership sponsors, and/or insurance companies which hold the client's investments. These statements reflect the assets in the custodian's custody, together with confirmations of each transaction executed in the account(s) if desired by the client. For some custodians, the client may elect to receive these statements by e-mail rather than U.S. mail.

Clients are strongly encouraged to review the monthly or quarterly statements they receive from custodians. Despite the best efforts of any firm to safeguard client's assets, fraud could still occur. While we hope that our clients trust our firm and advisors, in an age of increasing financial fraud, we believe it is nevertheless important for clients to verify their investment holdings.

We also encourage clients to regularly compare the reports received from us with those received directly from Fidelity, or other custodians. Should the client detect any unauthorized trading in an account, or unauthorized transfers of cash or securities, they



are asked to contact A. Andrew Marwede, Chief Compliance Officer, at 1-847-234-0808. Please note that while we have never had any unauthorized withdrawals or transfers from our clients' accounts, your assistance in reviewing your monthly and/or quarterly account statements aids us in deterring any such activity in the future.

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

Serious Stewardship does not provide, nor does it accept compensation from, any person for client referrals.

Referrals to other professionals may be undertaken where appropriate to meet the client's needs. These situations are discussed below.

Referrals to a CPA may be undertaken for preparation of the client's tax projections. Serious Stewardship may refer the client to his/her Certified Public Accountant (CPA) and/or tax preparer should Serious Stewardship ascertain that tax projections would be useful to the client for one or more various purposes (capital gain harvesting, alternative minimum tax avoidance, impact of additional income on taxation or social security benefits, etc.). While Serious Stewardship may assist the client's CPA or tax preparer by providing various information for purposes of these tax projections or suggesting alternative inputs, the client's CPA/tax preparer will provide these services directly to the client, and the client is charged directly by the CPA/tax preparer in accordance with the client's agreement with that person or firm.

Referrals to attorneys for legal advice and document preparation may be undertaken for preparation of any recommended estate planning documents, the implementation of various strategies relating to asset protection planning, legal document preparation relating to transactions involving closely held businesses and/or professional firms, and/or other similar services. Serious Stewardship is not a law firm and does not provide legal services.

#### **Item 15: Custody**

It is Serious Stewardship's policy to not accept custody of a client's securities. In other words, we are not granted access to our clients' assets which would enable us to withdraw or transfer or otherwise move funds or cash from any client account to our accounts or the account of any third party (other than for purposes of fee deductions, as explained below). This is for the safety of our clients' assets.

However, with a client's consent, Serious Stewardship may be provided with the authority to seek deduction of Serious Stewardship's fees from a client's accounts. This process generally is more efficient for both the client and the investment advisor, and there may be tax benefits for the client to this method when fees can be paid from certain tax-deferred accounts of clients. When they occur, fee deductions are monitored by the custodians for reasonableness.

All of our clients receive account statements directly from qualified custodians, such as a bank or broker-dealer that maintains those assets. Clients should carefully review these account statements and compare them to the periodic reports made available by Serious

Stewardship. We urge all of our clients to compare statements in order to ensure that all account transactions, including deductions to pay advisory fees, remain proper, and to contact us with any questions.

#### **Item 16: Investment Discretion**

Serious Stewardship accepts discretion over clients' accounts, as described in Items 5 and 13 of this Brochure, and below, with the consent of the client. Each client's grant of discretion is evidenced in the Investment Advisory Agreement (or addendums thereto) signed by the client, and is further evidenced to the custodians through a limited power of attorney contained in the account establishment form signed by the client or a separate limited power of attorney document signed by the client.

Nearly all clients appoint Serious Stewardship as the client's agent and attorney-in-fact with respect to undertaking trades in client accounts. Serious Stewardship's ability to enter trades electronically for clients often provides reduced transaction fees and other benefits to the client.

Please note that Serious Stewardship may not contact clients in advance of trades, as this leaves us better able to serve our clients' interests. Moreover, Serious Stewardship seeks to undertake a minimal amount of trading in client accounts, in order to keep transaction fees, other expenses, and tax consequences associated with trading to minimal levels.

Fixed income trading discretion -for nearly all client accounts

With client consent, Serious Stewardship will accept discretion to purchase and sell individual fixed income securities. The purpose of this discretion is to enable Serious Stewardship to undertake purchases and sales in a timely manner when securities are available at quoted prices.

Rebalancing in the event of a major asset class valuation fall – for most client accounts  
With client consent, Serious Stewardship will accept discretion to undertake sales of fixed income securities (usually bond funds) and purchases of stock mutual funds or stock exchange-traded funds (typically additional shares of funds already owned by the client, or substantially similar securities should the need arise) on the same day, when in the judgment of the investment adviser a significant fall in the value of a stock asset class has occurred which may affect a substantial number of our clients. Trades may generally be undertaken by prioritizing clients accounts based upon the amount of assets under advisement (from high to low) at the time of the last quarter. However, it is possible that not all client accounts in which trades should be undertaken will be attended to on the day of, or even the exact week, of a major stock market or asset class decline in value. Not all client accounts will need trading on such a day, however. At such times, Serious Stewardship will not typically possess the time to discuss planned trades with each client in advance, due to the large number of trades to be undertaken. Clients who do not provide Serious Stewardship with this type of discretion will typically not see trading in their accounts at the time of a major rebalancing effort. Please note that we will not typically possess the ability to receive or return calls from clients at the time of a major rebalancing effort, but we will endeavor to communicate with clients soon thereafter.

While trades are planned based upon an advisor's judgment of the likely value of asset classes at the end of trading on the exchanges (i.e., typically 4:00pm, the time when trades in mutual funds are executed under SEC rules), it is possible that late-session movements in the values of asset classes may occur, which may cause either an under-purchase or over-purchase of stock mutual funds or stock ETFs in a client's account relative to the desired target for a particular asset class.

While it is hoped that the number of occurrences in which this type of discretion is exercised is limited, and will occur on average less than once each year, during the Fall of 2008, Serious Stewardship experienced several occurrences in which this type of discretion could have been used, due to high volatility in the stock market during that period of time.

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

As a matter of firm policy and practice, Serious Stewardship does not accept authority to vote proxies on behalf of clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. Generally, clients will receive their proxies or other solicitations directly from the custodian or transfer agent. However, clients may call or e-mail their advisor with questions regarding a particular proxy or other solicitation, and Serious Stewardship may provide advice to clients regarding clients' voting or proxies or such solicitations, upon request of a client or clients or in unusual circumstances.

#### **Item 18: Financial Information**

Serious Stewardship recently switched from "payment in advance" to "payment in arrears" and consequently it is not categorized as a custodian. In addition, Serious Stewardship does not require the prepayment of more than \$1,200 in fees per client for six months or more in advance. Serious Stewardship accepts discretion over clients' accounts, as described in Item 16 of this Brochure. Due to this acceptance, Serious Stewardship is required to disclose any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. Serious Stewardship currently possesses no such financial condition. Serious Stewardship has never been the subject of a bankruptcy proceeding.