

Susan Freed & Associates, Inc.  
*Db*a Freed Advisors

Part 2A of Form ADV  
The Brochure

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This brochure provides information about the qualifications and business practices of Susan Freed & Associates, Inc. (“Freed Advisors”). If you have any questions about the contents of this brochure, please contact us at 301-657-1700. 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 Freed Advisors is also available on the SEC’s website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 - Material Changes**

Freed Advisors' most recent update to Part 2 of Form ADV was made in March 2011. Freed Advisors has added additional staff to Part 2B of this Form ADV, commonly referred to as The Brochure Supplement. The business activities of the firm have not changed materially since the last update of this document.

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## **Item 4 - Advisory Business**

### **Firm Description**

Freed Advisors was founded in January of 1990 and is owned by Susan Freed. As of January 1, 2012 the Company managed approximately \$249 million on a discretionary basis on behalf of approximately 126 clients and approximately \$1.5 million on behalf of 2 non-discretionary clients.

Freed Advisors is a wealth management firm providing investment advisory and financial planning services. We often serve as a family financial advisor who coordinates and assists with the overall management of the client's financial affairs. In this capacity, Freed Advisors provides traditional investment management services along with personalized financial planning advice. We work with clients to identify, define and quantify personal financial objectives. Freed Advisors develops financial strategies for reaching those objectives, often evaluating a range of outcomes and creating back-stops or safety nets to ensure essential goals are realized.

### **Investment Management Services**

Freed Advisors offers Investment Management Services which are tailored to the individual needs of the client, as opposed to investment services which are impersonal in nature. The firm conducts an assessment of client goals, resources, cash flow & liquidity requirements, legacy holdings, time horizons and other considerations that have a significant bearing on the investment management relationship. The personalized nature of our services enables us to consider the unique circumstances of each client.

Investment Management Services are defined as continuous investment advice provided to, or investments made directly for the firm's clients. In most circumstances, we exercise investment discretion over the accounts we supervise. Therefore, we usually issue investment instructions to purchase and sell securities without prior consultation with the client. Investment instructions given by Freed Advisors are consistent with our client's personal and family obligations, objectives, and risk tolerance, as well as other assets. However, Freed Advisors will accommodate a client's individual instructions with regard to the firm's supervision of client's account. This means that a client may always place restrictions on transactions, or give us an unsolicited order to purchase or sell a security for their own account. In addition, for any client accounts managed on a non-discretionary basis, Freed Advisors will seek approval from the client prior to the implementation of any investment recommendation.

### **The Advisory Process**

The portfolio construction process begins with the Investment Policy Statement (IPS), which defines the overarching investment objective for the client relationship. This sets forth asset allocation parameters, cash requirements, restrictions and generally defines the investment management relationship. The Investment Policy Statement also describes Freed Advisors' approach to portfolio construction and ongoing management. This is a top down process which begins with a Strategic Asset Allocation analysis to determine the appropriate asset classes and relative weightings to be included in the portfolio. The IPS also identifies initial core holdings, which are common threads throughout many client portfolios. However, every portfolio is evaluated on an individual basis and every holding is evaluated on its own merits.

Freed Advisors investment philosophy seeks to preserve capital and enhance risk-adjusted returns through a diversified portfolio comprised of fixed income, equities and alternative investments. Our objective is to minimize down-side risk through proper diversification and maximize up-side potential by buying quality assets at reasonable prices. We consider many factors in determining what assets should be included in a client's portfolio. Some of the more significant ones are investment fundamentals, absolute and relative valuations, and macro changes in economic and market conditions. Investment opportunities are carefully selected on their individual merits as well as their position within the overall portfolio.

We employ active and passive strategies, and continuously monitor market fundamentals and adjust target allocations and positions across accounts with similar objectives. Active investment management styles are implemented by Freed Advisors when we believe a manager can outperform the relevant index, or add value to the portfolio in some other way such as reducing risk. Passive strategies or positions that replicate an Index are utilized as a cost effective means of providing exposure to a stated group of assets. Our firm is responsible for the initial selection and ongoing monitoring of all positions purchased for client accounts on a discretionary basis. We are responsible for evaluating the performance, risk-adjusted returns, adherence to investment objectives, and fees of the underlying investments in client portfolios.

### **Specialized Investment Management Services**

Specialized services, as the name implies, cover a wide range of investment advisory services. Typically, this refers to services such as establishing accounts for the benefit of educating younger family members about wealth, advice regarding legacy holdings such as highly appreciated securities, advice regarding highly concentrated positions including stock options, and customizing portfolios in light of or to compensate for extenuating factors. Some examples appear below for illustrative purposes.

Freed Advisors may develop differing investment strategies for family members within the context of an overall investment objective for the consolidated family relationship. In circumstances where clients are the recipients of inherited or gifted securities they wish to retain, either for emotional reasons or because of the tax cost associated with a sale, Freed Advisors may include these securities in evaluating the client's overall portfolio for asset allocation and risk. Freed Advisors may adjust actively managed mutual funds held in the client's portfolio to compensate for large positions in passive investments. For clients that are recipients of trust income, or own income-producing real estate, Freed Advisors may not manage these assets, but will consult with the client to determine whether to adjust their bond allocation in the actively managed investments held in their accounts to compensate for outside investment income.

### **Investment Services Provided Through a Written Investment Management Agreement**

All clients who wish to retain Freed Advisors' Investment Management Services execute an Investment Management Agreement which contains the terms and conditions of the services to be rendered to the client by our firm. No assignment of any agreement may be made without the written consent of the client.

### **Financial Planning Services**

Financial planning services are incorporated into Freed Advisors' Investment Management Agreement. At the Client's request, we allocate up to 3 hours of financial planning services annually for every \$500,000 of Assets Under Management (AUM) with our firm. Most of our financial planning services are provided in this manner. They generally are targeted and modular in nature, rather than comprehensive. However, clients who have a significant financial relationship with our firm may receive comprehensive financial planning services through the Investment Management Agreement, based on their AUM. All financial

planning incorporated into the Investment Management Agreement are at the option of the Client. There is no discount or refund of fees if the Client elects not to receive these financial planning services.

Freed Advisors offers financial planning services through a separate Financial Planning Agreement for complex issues and/or engagements not covered by the Investment Management Agreement. Any Client may enter into a separate Financial Planning Agreement which fully discloses the nature and scope of the financial planning services to be provided. Services are provided on a fee basis and include retirement planning, estate planning, insurance analyses, cash flow projections, advice regarding intra-family and inter-generational wealth transfers, charitable or philanthropic planning, education (and other specific goal) funding, tax planning and business succession planning. Most of our financial planning services are provided under the Investment Management Agreement as part of our wealth management offering. Approximately 5% of our billings are derived from financial planning services that are not incorporated into the Investment Management Agreement and billed separately pursuant to a Financial Planning Agreement.

### **Ancillary Investment Advisory Services Provided On a Consultation Basis**

We may enter into a limited engagement to provide asset allocation or investment advice on an hourly or consultation basis. Clients who contract for these services execute a separate Agreement outlining the scope, terms and conditions of the services to be provided.

For existing clients, Freed Advisors may also provide advice at the client's request on non-managed assets such as 401(k) and other retirement plan assets. If the advice is incidental to the investment management relationship, it may be provided without a separate charge and would not be covered by a separate agreement.

## **Item 5 - Fees and Compensation**

### **Fees For Investment Management Services**

While fees are negotiable, Freed Advisors has adopted the following investment advisory fee guidelines for new clients for ongoing investment management services as determined by a percentage of assets under management. The Fee Schedule is:

The first \$100,000 under management	1.25% per annum
Amounts between \$ 100,000 - \$ 500,000	1.00% per annum
Amounts between \$ 500,000 - \$ 1,000,000	.85% per annum
Amounts between \$1,000,000 - \$ 2,000,000	.70% per annum
Amounts between \$2,000,000 - \$ 5,000,000	.60% per annum
Amounts between \$5,000,000 - \$20,000,000	.50% per annum
Amounts over \$20,000,000 - negotiable	

Minimum Required Assets Under Management For New Relationships: \$1,500,000

Fees are generally billed quarterly in advance and directly debited from custodial accounts. Quarterly fees are calculated by applying the annual fee schedule to the value of the assets that are supervised by Freed Advisors at the end of each prior calendar quarter. Initial fees for new client accounts are pro-rated to the end of the initial quarter. For marketable securities, the prices provided by custodians are used for client reporting and fee billing. We do not charge a fee on contributions made to client accounts throughout a

given quarter. Historically, certain clients have made arrangements to pay fees by check or in arrears, however, Freed Advisors prefers that all new client relationships pay via direct debit in advance.

Investment advisory fees for new clients are fully refundable if the client sends written notice of termination to the firm within five business days after the execution of the investment advisory agreement. Clients are entitled to a refund of any pre-paid fees upon request. Either party may cancel an Agreement upon written notice to the other party. If Freed Advisors cancels an Agreement, it will refund all fees that the client has advanced and for which services have not been rendered. If the client cancels an Agreement, the Client is responsible for fees for services rendered prior to Freed Advisors' receipt of Notice of Cancellation. Due to the associated administrative costs involved, Freed Advisors investment management fee is not refundable in the event that a client withdraws only a portion of the funds in the client's account during a given quarter.

Clients may aggregate accounts to receive a "breakpoint" for reduced fees. This extends to husbands and wives, parents, children, siblings and to trusts or custodial accounts for the benefit of these family members.

Pre-existing clients are subject to the fee schedule and terms in effect at the time they executed an investment management agreement. This may include negotiated fee schedules or payment of advisory fees in arrears.

### **Limited Exceptions To Current Fee Schedule**

- \* Family Members of Employees – Direct family members of employees (parents, siblings, spouses and children) are not charged for services. Other family members are entitled to a discounted rate.
- \* Discretion of the President – Freed Advisors may at the discretion of a President accept accounts under the minimum dollar value of assets under management. This is generally reserved for cases of need such as charitable accounts.

### **Other Costs Associated With Investment Management Services**

#### **Mutual Funds, Exchanged Traded Instruments and Alternative Investments**

All fees paid to Freed Advisors for investment advisory services are separate and distinct from the fees and expenses charged by underlying investments including, but not limited to, mutual funds, money market funds, exchange traded funds and exchange traded notes. These fees and expenses are described in the prospectus or governing document of each investment vehicle. and generally include a management fee, other fund expenses, and possibly a distribution fee. When appropriate, we utilize Institutional share classes of no-load mutual funds when appropriate. These typically have lower internal expense ratios and higher minimum dollar requirements than a retail share class of a no-load fund.

A client may invest in many of the products we recommend directly without the services of Freed Advisors, provided they meet the minimum threshold requirement. In that case, the client would not receive the services provided by our firm which are designed, among other things, to assist the client in determining the selection, relative weighting and timing for each placement. Accordingly, every client should review the fees charged by each underlying investment and the fees charged by Freed Advisors to fully understand the total fees to be paid and to evaluate the services being provided.

### **Transaction Charges**

The client is responsible for transaction charges, custodial and other fees associated with their account. We recommend Charles Schwab and Company, Inc., (“Schwab”) and have negotiated commission rates with Schwab that are offered to all clients of Freed Advisors. Clients who select other brokers will pay the prevailing commission rate offered by their broker. Additional information related to the Company’s brokerage practices is included in the “Brokerage Practices” section of this document .

### **Fees For Financial Planning Services**

Financial planning services are billed at the hourly rates in effect for each professional at the time the client enters into a Financial Planning Agreement. The rate(s) are disclosed on the client Agreement. A Client may terminate its agreement at any time and receive a refund of any fees not yet earned.

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

The Company does not charge any performance fees.

## **Item 7 - Types of Clients**

Freed Advisors generally provides investment advice to individuals, families, trusts and estates. Advice may extend to entities related to the client such as small businesses, charitable endowments, and to other members of the client’s family.

We require a minimum dollar value of \$1,500,000 of assets under management for new Investment Management relationships, however this minimum is negotiable and may be waived for some clients. Clients may aggregate accounts under common ownership and/or within a family structure to meet this minimum. Clients who executed Investment Management Agreements with Freed Advisors prior to the implementation of this requirement are not subject to this threshold.

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

Freed Advisors uses a top down approach to assess the current economic and investment environment for various asset classes and investments. The decision to include a specific investment in a portfolio is based on Freed Advisor’s analysis of many fundamental factors which are used to determine the investment’s intrinsic value. In addition to analyzing each asset class on an individual basis, Freed Advisors looks at each investment’s characteristics as they relate to the overall portfolio. This analysis provides insight into how each investment contributes to the overall return and risk of the portfolio.

Once appropriate asset classes are identified, portfolios are constructed by assigning weights to the various asset classes. These weights are based on our view of the current relative strengths of each investment class. We employ tactical asset allocation by shifting our weighting among various asset classes over time as we see changes in the intrinsic values and economic environment that impact each asset class differently. Additionally, we may choose to emphasize certain types of sub asset class styles from time to time, or introduce or remove certain asset classes depending on the current investment environment. In addition to traditional asset classes, Freed Advisors considers alternative investment classes for inclusion in portfolios. The decision to include alternatives within the portfolio is based on the same process, and includes an analysis of the fundamentals of the alternatives as well as their role within the broader portfolio.

After specific asset class and sub-asset class weightings are determined, Freed Advisors conducts an in-depth analysis on numerous managers and/or products to determine the best investment vehicles to represent the investment class. These vehicles include, but are not limited to, mutual funds, exchange traded funds, and exchange traded notes. The products we use in client portfolios include both actively managed funds as well as passive index instruments. Occasionally, Freed Advisors will select multiple complementary funds to represent an asset class. This approach is used when several managers are identified that have strong investment processes, and may execute their investments within an asset class via different strategies to provide complementary exposure to different securities within an asset class.

The firm's Investment Committee reviews all relevant capital markets and economic data to determine if any changes in the asset allocation are warranted. Additionally, each underlying investment is reviewed to determine if the investment is performing in line with the firm's expectations. The Investment Committee meets on an ad-hoc basis, with standing monthly meetings.

Freed Advisors uses a number of sources of data to track capital markets and economic conditions and to analyze each investment, including, but not limited to: Bloomberg; Ibbotson; and Morningstar.

In most circumstances, Freed Advisors has investment discretion over the accounts it supervises. Therefore the firm usually issues investment instructions to the custodian of its clients' accounts without prior consultation with client. Implementation of any investment plan involves varying degrees of risk. Our investment approach is mindful of the risk of loss. However, as with all investment, clients face risks including: Loss of Principal Risk, Interest-rate Risk, Market Risk, Inflation Risk, and Currency Risk. and potential for loss, dependent on the specific investment goals and risk tolerances of each client.

#### Risk of Loss - General

All investing involves a risk of loss and the investment strategy offered by Freed Advisors could lose money over short or even long periods. Performance could be negatively impacted by a number of different market risks including, but not limited to, portfolio management techniques that may not produce the desired results. This could cause accounts to decline in value. Freed Advisors selects investments based, in part, on information provided by issuers to regulators or made directly available to by the issuers or other sources. We are not always able to confirm the completeness or accuracy of such information, and in some cases, complete and accurate information is not available. Incorrect or incomplete information increases risk and may result in losses.

#### Potential Risks of Investing in Securities Purchased in Mutual Funds and ETFs:

**Stock Market Risk** - Stock market risk is the possibility that stock prices overall will decline over short or extended periods. Markets tend to move in cycles, with periods of rising prices and periods of falling prices.

Investing in small- and medium-sized companies involves greater risk than is customarily associated with more established companies. Stocks of such companies may be subject to more volatility in price than larger company securities.

**Foreign Securities Risk** - Foreign securities are subject to the same market risks as U.S. securities, such as general economic conditions and company and industry prospects. However, foreign securities involve the additional risk of loss due to political, economic, legal, regulatory, and operational uncertainties; differing accounting and financial reporting standards; limited availability of information; currency conversion; and pricing factors affecting investment in the securities of foreign businesses or governments.

**Interest Rate Risk** - Bonds experience market risk as a result of changes in interest rates. The general rule is that if interest rates rise, bond prices will fall. The reverse is also true: if interest rates fall, bond prices will generally rise. A bond with a longer maturity (or a bond fund with a longer average maturity) will typically fluctuate more in price than a shorter term bond. Because of their very short-term nature, money market instruments carry less interest rate risk.

**Credit Risk** - Bonds and bond mutual funds are also exposed to credit risk, which is the possibility that the issuer of a bond will default on its obligation to pay interest and/or principal. U.S. Treasury securities, which are backed by the full faith and credit of the U.S. Government, have limited credit risk, while securities issued or guaranteed by U.S. Government agencies or government-sponsored enterprises that are not backed by the full faith and credit of the U.S. Government may be subject to varying degrees of credit risk. Corporate bonds rated BBB or above by Standard & Poor's are generally considered to carry moderate credit risk. Corporate bonds rated lower than BBB are considered to have significant credit risk. Of course, bonds with lower credit ratings generally pay a higher level of income to investors.

**Liquidity Risk** - Liquidity risk exists when a particular security is difficult to trade. A mutual fund's investment in illiquid securities may reduce the returns of the mutual fund because the mutual fund may not be able to sell the assets at the time desired for an acceptable price, or might not be able to sell the assets at all.

**Call Risk** - Many fixed income securities have a provision allowing the issuer to repay the debt early, otherwise known as a "call feature." Issuers often exercise this right when interest rates are low. Accordingly, holders of such callable securities may not benefit fully from the increase in value that other fixed income securities experience when rates decline. Furthermore, after a callable security is repaid early, a mutual fund would reinvest the proceeds of the payoff at current interest rates, which would likely be lower than those paid on the security that was called.

**Objective/Style Risk** - Mutual funds, ETFs and investment managers are subject, in varying degrees, to objective/style risk, which is the possibility that returns from a specific type of security in which a mutual fund or manager invests will trail the returns of the overall market.

**U.S. Government Agency Securities Risk** - Securities issued by U.S. Government agencies or government-sponsored entities may not be guaranteed by the U.S. Treasury. If a government-sponsored entity is unable to meet its obligations, the securities of the entity will be adversely impacted.

**Third Party Investment Management Risk** – Freed Advisors will likely not have the opportunity to evaluate in advance the specific investments made by third-party managers of the actively managed mutual funds selected by Freed Advisors. As a result, the rates of return to clients will primarily depend upon the choice of investments of these managers and returns could be adversely affected by unfavorable performance of such managers. Further, Freed Advisors depends on these managers to develop the appropriate systems and procedures to control operational risks.

## **Item 9 - Disciplinary Information**

Freed Advisors and its employees have not been involved in any legal or disciplinary events related to past or present activities.

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

Freed Advisors and its employees do not have any relationships or arrangements with other financial services companies. We may, at times, recommend unrelated third-parties, particularly in the course of a financial planning engagement. These are typically legal, accounting or pension professionals. We do not receive any compensation or referral fees for recommendations of or to unrelated third party professionals.

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

### **Code of Ethics**

Freed Advisors has adopted a Code of Ethics (“COE”), which requires all employees to act with the care of a Fiduciary and put the needs of the client first. Other key points include acting with integrity, objectivity, competence, fairness and suitability, providing full disclosure, upholding client confidentiality, compliance with applicable rules & regulations, and professionalism.

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

Freed Advisors and its employees maintain personal accounts, and may at times buy or sell securities that are also held by clients.

Freed Advisors COE has specific provisions that requires Employees to: 1) pre-clear certain personal securities transactions, 2) report personal securities transactions on at least a quarterly basis, and 3) provide Freed Advisors with a detailed summary of certain holdings and securities accounts (both initially upon commencement of employment and annually thereafter) over which Employees have a direct or indirect beneficial interest. A copy of Freed Advisors’ COE is available to any client or prospective client upon request.

Susan Freed, President of the firm, serves as Chief Compliance Officer for Freed Advisors. She reviews all employee trades each quarter. Her personal trades are reviewed by Vice President and Director of Investment Management, David Burgess. The personal trading reviews ensure that the personal trading of employees was not based on inside information and that clients of the firm receive preferential treatment.

## **Item 12 - Brokerage Practices**

### **Selecting Brokerage Firms**

Freed Advisors 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 debit your account(s) for advisory fees. Your assets are maintained in an account at a “Qualified Custodian,” generally a broker-dealer. We recommend that our clients use Charles Schwab & Co., Inc. (hereinafter, “Schwab”), an independent and unaffiliated broker-dealer. We are independently owned and not affiliated with Schwab. Schwab will hold your assets in a brokerage account and buy and sell securities when we instruct them to. While we recommend 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 do not open the account for you, although we may assist you in doing so. Even though your account is maintained at Schwab, we can still use other brokers to execute trades as described below (please see “Brokerage and Custody Costs”).

Our objective in recommending Schwab is to obtain the best overall product selection, trading execution and reporting available. We consider a wide range of factors, including, among others: a) the capacity to execute, clear and settle trades; b) the combination of transaction execution services and asset custody, without a separate fee; c) the capability to facilitate transfers and payments to and from accounts; d) the breadth of available investment products; e) the quality of services; f) the competitiveness of the price of services; g) reputation, financial strength and stability and h) prior service to us and our other clients.

### **Brokerage and Custody Costs**

Schwab does not charge you separately for custody services but is compensated by charging commissions or other fees on trades that it executes or that settle into your Schwab account. In addition to commissions, transaction and distribution-based fees, Schwab charges a flat dollar amount as a “prime broker” or “trade away” fee for each trade they execute by a different broker-dealer but where the securities bought or sold are deposited into your Schwab account. This occurs if we obtain better pricing on the purchase or sale of a bond, through a broker-dealer other than Schwab.

### **Products and Services Available to Us From Schwab**

Schwab Advisor Services is Schwab’s business serving independent investment advisory firms like ours. They provide us and our clients with access to institutional brokerage – trading, custody, reporting and related services – many of which are not available to retail customers of Schwab. We subscribe to certain electronic information services offered by Schwab which provide the capability to: (1) direct Schwab via electronic means to purchase and sell securities in client accounts; (2) electronically produce copies of Schwab forms and applications and receive copies of client trade confirmations; (3) receive via electronic means certain account status reports; (4) download daily account transactions; (5) download the daily closing price of all security positions held in client accounts custodied at Schwab; (6) cross reference composite client investment information with individual account balances and positions. Schwab’s support services are generally available on a non-solicited 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 in assets 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.

### **Potential Conflict of Interest**

The availability of the services referenced above benefits us because we do not have to produce or purchase them. 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 determined by the scope, quality and price of Schwab’s services. We have more than \$200 million in client assets under management, and we do not believe that recommending our clients 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.

### **Directed Brokerage**

On a limited basis, Freed Advisors may accept clients that direct brokerage and utilize broker-dealers other than Schwab. In the event that a client directs Freed Advisors to use a particular broker or dealer, it should be understood that the client has the sole responsibility for negotiating commission rates and other transaction costs with the directed broker and that a disparity may exist between the commissions and expenses borne by the account compared to the commissions

borne by Freed Advisors' other clients that do not direct brokerage. The client should further understand that by instructing Freed Advisors to execute all transactions through the directed broker, the client may not necessarily obtain commission rates and execution as favorable as those that would be obtained if Freed Advisors was able to place transactions with other broker-dealers. In addition, Freed Advisors may be unable to purchase the same share class of open-end mutual funds resulting in higher management fees for clients than direct brokerage.

### **Aggregating Trades for Best Execution**

Orders for the same Security entered on behalf of more than one client will generally be aggregated (i.e., blocked or bunched) subject to the aggregation being in the best interests of all participating Clients. All Clients participating in each aggregated order shall receive the average price and, subject to minimum ticket charges, pay a pro-rata portion of commissions.

### **Trade Errors**

Any trade errors identified are corrected to ensure each client is made whole. If a loss occurs greater than \$100, Freed Advisors covers the loss, while Schwab covers the loss if it is less than \$100. If a trade error results in a gain, the gain remains in the client's account unless the same error involved other client accounts that should have received the gain, it is not permissible for you to retain the gain, or you decide to forego the gain due to tax reasons. If the gain does not remain in your account and Charles Schwab is the custodian, Schwab will donate any amount over \$100 to charity and keep any portion less than that amount to minimize and offset administrative expenses related to correcting the error.

## **Item 13 - Review of Accounts**

Freed Advisors utilizes a proprietary query system that allows us to perform firm-wide client reviews on an ad-hoc basis. These queries can be performed at any time, and are generally conducted when recent market performance or economic changes have caused a potential shift in the allocation of a client's portfolio. In addition to these shifts, the firm will also run these queries whenever a tactical asset allocation decision is made, or there is a change in our preferred list of managers. For more information on this process please see the Methods of Analysis, Investment Strategy, and Risk of Loss section of this document. Client reviews will be run at least quarterly regardless of whether or not any of the triggers listed above have caused a review of client portfolios.

Individual account reviews are also conducted periodically and can be triggered by a change in a client's financial situation or investment objective, as well as contributions or withdrawals from their portfolio. Individual account reviews are overseen by a principal or senior investment advisor representative of the firm. The review process provides information regarding the client's relevant realized and unrealized gain and loss information, which is used to determine the tax impact of any potential trade prior to execution.

### **Written Reports**

Clients receive statements directly from the broker which has custody of their account(s). Reports detail all transactions and holdings. Those Clients who have contracted for Investment Management Services receive written reports from the Advisor on at least a quarterly basis which describe the current positions held by the Client and summarize holdings by Asset Class and by Account Owner. Performance and capital gain information is provided at least annually. Freed Advisors also provides a quarterly

commentary to Investment Management clients discussing market fundamentals, asset allocation and financial planning matters.

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

Freed Advisors has been fortunate to receive many client referrals over the years. These referrals have come from current clients, estate planning attorneys, accountants, employees, personal friends of employees and other sources. The firm does not pay for referrals.

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, and how they benefit us, are described above in the section “Products and Services Available to us from Schwab”.

## **Item 15 - Custody**

All clients’ accounts are held in custody by unaffiliated broker/dealers or banks, but Freed Advisors can access many clients’ accounts through its ability to debit advisory fees. For this reason Freed Advisors is considered to have custody of client assets. Account custodians send statements directly to the account owners on at least a quarterly basis. You should carefully review these statements promptly when you receive them, and should compare these statements to your Quarterly Reports provided by Freed Advisors.

## **Item – 16 - Investment Discretion**

In most cases, Freed Advisors exercises discretionary trading authority granted through a limited power of attorney for most client accounts. Securities are bought and sold as determined by the client’s goals and financial condition. At the inception of each client relationship or upon request, Freed Advisors will document any client requested restrictions to be applied to the management of their account.

## **Item 17 - Voting Client Securities**

Freed Advisors does not exercise proxy or class action voting authority over client securities. The obligation to vote client proxies and class actions rests with the client. Clients may contact Freed Advisors for advice or information about a particular proxy or class action vote. However, we are not deemed to have voting authority solely as a result of providing such advice to a client.

If we inadvertently receive proxy or class action information for a security held in a client’s account, we will forward such information, but will not take any further action with respect to the voting of such proxy or class action. Upon termination of its Agreement with a client, Freed Advisors shall make a good faith and reasonable attempt to forward proxy or class action information inadvertently received by Freed Advisors on behalf of client to the forwarding address provided by the client to Freed Advisors.

## **Item 18 - Financial Information**

Freed Advisors does not have any financial impairment that will preclude the firm from meeting contractual commitments to clients. The firm has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.