

# Spero-Smith Investment Advisers, Inc.

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## **Brochure Dated 3/24/2012**

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**This brochure provides information about the qualifications and business practices of Spero-Smith Investment Advisers, Inc. If you have any questions about the contents of this brochure, please contact us at (216) 464-6266 or [kara@sperosmith.com](mailto:kara@sperosmith.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Spero-Smith Investment Advisers, Inc. is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.**

**Additional information about Spero-Smith Investment Advisers, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## **Item 2           Material Changes**

There have been no material changes made to Spero-Smith Investment Advisers, Inc.'s disclosure statement since last year's Annual Amendment filing on March 31, 2011.

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

- A. Spero-Smith Investment Advisers, Inc. (the “Registrant”) is a corporation formed on January 24, 1984 in the state of Ohio. The Registrant became registered as an Investment Adviser Firm in April 1984. The Registrant is owned by Robert C. Smith. Mr. Smith is the Registrant’s Principal.
  
- B. As discussed below, the Registrant offers to its clients (individuals, business entities, trusts, and pension and profit sharing plans) investment advisory services, and, to the extent specifically requested by a client, financial planning and related consulting services.

#### **INVESTMENT ADVISORY SERVICES**

The client can determine to engage the Registrant to provide discretionary investment advisory services on a *fee-only* basis. The Registrant’s annual investment advisory fee is based upon a percentage (%) of the market value of the assets placed under the Registrant’s management. The investment management fee charged is on a sliding scale beginning at 1.30% of the market value of assets under management (although a required minimum fee may result in a percentage fee in excess of 1.30%). The Registrant’s fee schedule declines depending on the size of the relationship, the types of assets under management, and the specific type of investment management services to be rendered.

**For a detailed INVESTMENT ADVISORY SERVICES FEE SCHEDULE, please see Item 5A (Fees and Compensation) below.**

#### **FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)**

To the extent requested by a client, the Registrant *may* determine to provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone separate fee basis. Registrant will charge a fixed fee of \$1,000 (payable at the time of the interview) for the initial in depth interview. At the conclusion of the initial conference, Registrant will estimate the fee for the client’s financial plan, based on the hourly rates in effect at the time. Registrant’s current rates are between \$95 and \$225 per hour, depending upon the level and scope of the services required, and the professional rendering the service(s).

Registrant may also utilize an outside financial planning firm to perform the financial planning services for clients. Prior to engaging the Registrant to provide planning or consulting services, clients are generally required to enter into a *Financial Planning Agreement* with Registrant setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the client prior to Registrant commencing services. If requested by the client, Registrant may recommend the services of other professionals for implementation purposes. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from the Registrant.

**Please Note:** If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional.

**Please Also Note:** It remains the client's responsibility to promptly notify the Registrant if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Registrant's previous recommendations and/or services.

## **MISCELLANEOUS**

**Non-Investment Consulting/Implementation Services.** To the extent requested by the client, the Registrant *may* provide consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. Neither the Registrant, nor any of its representatives, serves as an attorney, accountant, or licensed insurance agent, and no portion of the Registrant's services should be construed as same. To the extent requested by a client, the Registrant may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance, etc.). The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from the Registrant.

**Please Note:** If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional.

**Please Also Note:** It remains the client's responsibility to promptly notify the Registrant if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Registrant's previous recommendations and/or services.

**Client Obligations.** In performing its services, Registrant shall not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely thereon. Moreover, each client is advised that it remains his/her/its responsibility to promptly notify the Registrant if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising Registrant's previous recommendations and/or services.

**Disclosure Statement.** A copy of the Registrant's written Brochure as set forth on Part 2A of Form ADV shall be provided to each client prior to, or contemporaneously with, the execution of the *Investment Advisory Agreement or Financial Planning Agreement*.

- C. The Registrant shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will ascertain each client's investment objective(s). Thereafter, the Registrant shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at anytime, impose reasonable restrictions, in writing, on the Registrant's services.
- D. The Registrant does not participate in a wrap fee program.

- E. As of December 31, 2011, the Registrant had \$504,442,127 in assets under management on a discretionary basis and \$10,667,401 in assets under management on a non-discretionary basis.

## Item 5 Fees and Compensation

- A. The client can determine to engage the Registrant to provide discretionary and/or non-discretionary investment advisory services on a *fee-only* basis.

### INVESTMENT ADVISORY SERVICES FEE SCHEDULE

If a client determines to engage the Registrant to provide discretionary and/or non-discretionary investment advisory services on a *fee-only* basis, the Registrant's annual investment advisory fee shall be based upon a percentage (%) of the market value and type of assets placed under the Registrant's management (between 0.75% and 1.30%) as follows:

#### *Investment Advisory Services\*\*\*:*

Asset Management Only Fee Schedule**				
Assets Under Management	Up To \$1,000,000	Next \$2,000,000	Next \$2,000,000	Over \$5,000,000
Spero-Smith Stock	1.00%	0.70%	0.50%	0.35%
Spero-Smith Mutual Fund	0.75%	0.50%	0.25%	0.15%

*\*\*Registrant charges a minimum annual fee of \$2,500*

Wealth Management Fee Example Showing Blended Fees*				
Assets Under Management	\$1,000,000	\$3,000,000	\$5,000,000	\$10,000,000
<b>Spero-Smith Stock</b>	<b>\$13,000</b>	<b>\$27,000</b>	<b>\$37,000</b>	<b>\$54,500</b>
<i>Blended % of Assets</i>	<i>1.30%</i>	<i>0.90%</i>	<i>0.74%</i>	<i>0.55%</i>
<b>Spero-Smith Mutual Fund</b>	<b>\$10,500</b>	<b>\$20,500</b>	<b>\$25,500</b>	<b>\$33,000</b>
<i>Blended % of Assets</i>	<i>1.05%</i>	<i>0.68%</i>	<i>0.51%</i>	<i>0.33%</i>

*\*Includes \$3,000 annual fee for basic Financial Planning Services*  
*\*Registrant charges a minimum annual fee of \$7,500*

Asset Management Only Fee Example With Blended Fees				
Assets Under Management	\$1,000,000	\$3,000,000	\$5,000,000	\$10,000,000
<b>Spero-Smith Stock</b>	<b>\$10,000</b>	<b>\$24,000</b>	<b>\$34,000</b>	<b>\$51,500</b>
<i>Blended % of Assets</i>	<i>1.00%</i>	<i>0.80%</i>	<i>0.68%</i>	<i>0.52%</i>
<b>Spero-Smith Mutual Fund</b>	<b>\$7,500</b>	<b>\$17,500</b>	<b>\$22,500</b>	<b>\$30,000</b>
<i>Blended % of Assets</i>	<i>0.75%</i>	<i>0.58%</i>	<i>0.45%</i>	<i>0.30%</i>

\*\* Registrant will also charge an initial set up fee of \$1,000 payable upon execution of the *Investment Advisory Agreement*. The Registrant, in its sole discretion, may waive the initial set-up fee if, during the initial year of engagement, the market value

of the assets under management is expected to exceed \$750,000 or the anticipated annual fees will exceed \$5,625.

\*\*\* Certain existing or current clients of the Registrant will be subject to a different investment advisory fee than set forth above, pursuant to their current *Investment Advisory Agreement*.

Registrant's annual investment advisory fee shall include investment advisory services, and, to the **extent specifically requested** by the client, financial planning and consulting services. In the event that the client requires extraordinary planning and/or consultation services (to be determined in the sole discretion of the Registrant), the Registrant may determine to charge for such additional services, the dollar amount of which shall be set forth in a separate written notice to the client.

#### **FINANCIAL PLANNING AND CONSULTING SERVICES (STAND-ALONE)**

To the extent specifically requested by a client, the Registrant *may* determine to provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a stand-alone fee basis. Registrant will charge a fixed fee of \$1,000 (payable at the time of the interview) for the initial in depth interview. At the conclusion of the initial conference, Registrant will estimate the fee for the client's financial plan, based on the hourly rates in effect at the time. Registrant's current rates are between \$95 and \$225 per hour, depending upon the level and scope of the services required, and the professional rendering the service(s).

- B. Clients may elect to have the Registrant's advisory fees deducted from their custodial account. Both Registrant's *Investment Advisory Agreement* and the custodial/ clearing agreement may authorize the custodian to debit the account for the amount of the Registrant's investment advisory fee and to directly remit that management fee to the Registrant in compliance with regulatory procedures. In the limited event that the Registrant bills the client directly, payment is due upon receipt of the Registrant's invoice. The Registrant shall deduct fees and/or bill clients quarterly in advance, based upon the market value of the assets on the last business day of the previous quarter.
- C. As discussed below, unless the client directs otherwise or an individual client's circumstances require, the Registrant shall generally recommend that Charles Schwab and Co., Inc. ("*Schwab*") and/or Raymond James Financial Services, Inc. ("*RJFS*") serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as *Schwab* and *RJFS* charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e. transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and fixed income securities transactions). In addition to Registrant's investment management fee, brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses).
- D. Registrant's annual investment advisory fee shall be prorated and paid quarterly, in advance, based upon the market value of the assets on the last business day of the previous quarter. Registrant requires a \$250,000 account minimum for investment management services and a minimum annual fee of \$2,500. Registrant may charge the greater of \$2,500 or 1.5% of assets under management for clients whom it has waived the

\$250,000 account minimum. However, Registrant, in its sole discretion, may 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.).

The *Investment Advisory Agreement* between the Registrant and the client will continue in effect until terminated by either party in writing with 30 days notice in accordance with the terms of the *Investment Advisory Agreement*. Upon termination, the Registrant shall refund the pro-rated portion of the advanced advisory fee paid based upon the number of days remaining in the billing quarter.

- E. Neither the Registrant, nor its representatives accept compensation from the sale of securities or other investment products.

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

Neither the Registrant nor any supervised person of the Registrant accepts performance-based fees.

## **Item 7            Types of Clients**

The Registrant's clients shall generally include individuals, business entities, trusts, and pension and profit sharing plans. Registrant requires a \$250,000 account minimum for Asset Management Only services and a minimum annual fee of \$2,500. Registrant may charge the greater of \$2,500 or 1.5% of assets under management for clients whom it has waived the \$250,000 account minimum. However, Registrant, in its sole discretion, may 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.).

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

- A. The Registrant shall utilize the following methods of security analysis:
- Fundamental - (analysis performed on historical and present data, with the goal of making financial forecasts)
  - Cyclical – (analysis performed on historical relationships between price and market trends, to forecast the direction of prices)

The Registrant shall utilize the following investment strategies when implementing investment advice given to clients:

- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)

**Please Note: Investment Risk.** Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by the Registrant) will be profitable or equal any specific performance level(s).

- B. The Registrant's methods of analysis and investment strategies do not present any significant or unusual risks.

However, every method of analysis has its own inherent risks. To perform an accurate market analysis the Registrant must have access to current/new market information. The Registrant has no control over the dissemination rate of market information; therefore, unbeknownst to the Registrant, certain analyses may be compiled with outdated market information, severely limiting the value of the Registrant's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

The Registrant's primary investment strategies - Long Term Purchases and Short Term Purchases - are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy.

- C. Currently, Registrant primarily allocates investment management assets of its client accounts among individual debt and equity securities, and various mutual fund classes, on a discretionary basis, in accordance with the investment objectives of the client.

## **Item 9            Disciplinary Information**

The Registrant has not been the subject of any disciplinary actions.

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

- A. Neither the Registrant, nor its representatives, are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. Neither the Registrant, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.
- C. The Registrant does not have any relationship or arrangement that is material to its advisory business or to its clients with any related person.
- D. The Registrant does not recommend or select other investment advisors for its clients.



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

- A. The Registrant maintains an investment policy relative to personal securities transactions. This investment policy is part of Registrant's overall Code of Ethics, which serves to establish a standard of business conduct for all of Registrant's representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, the Registrant also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by the Registrant or any person associated with the Registrant.

- B. Neither the Registrant nor any related person of Registrant recommends, buys, or sells for client accounts, securities in which the Registrant or any related person of Registrant has a material financial interest.
- C. The Registrant and/or representatives of the Registrant *may* buy or sell securities that are also recommended to clients. This practice may create a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. Practices such as "scalping" (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if the Registrant did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, "front-running" (i.e., personal trades executed prior to those of the Registrant's clients) and other potentially abusive practices.

The Registrant has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of the Registrant's "Access Persons". The Registrant's securities transaction policy requires that an Access Person of the Registrant must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person's current securities holdings at least once each twelve (12) month period thereafter on a date the Registrant selects; provided, however that at any time that the Registrant has only one Access Person, he or she shall not be required to submit any securities report described above.

- D. The Registrant and/or representatives of the Registrant *may* buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. As indicated above in Item 11 C, the Registrant has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of Registrant's Access Persons.

## Item 12      Brokerage Practices

- A. In the event that the client requests that the Registrant recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct the Registrant to use a specific broker-dealer/custodian), Registrant generally recommends that investment management accounts be maintained at *Schwab* and/or *RJFS*. Prior to engaging Registrant to provide investment management services, the client will be required to enter into a formal *Investment Advisory Agreement* with Registrant setting forth the terms and conditions under which Registrant shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that the Registrant considers in recommending *Schwab* and/or *RJFS* (or any other broker-dealer/custodian to clients) include historical relationship with the Registrant, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by Registrant's clients shall comply with the Registrant's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where the Registrant determines, in good faith, that the commission/transaction fee is reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although Registrant will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, Registrant's investment management fee. The Registrant's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

### 1. Schwab Advisor Services

The Registrant may recommend that clients establish brokerage accounts with the *Schwab* Advisor Services division of *Schwab*, to maintain custody of clients' assets and to effect trades for their accounts. The Registrant and *Schwab* are separate unaffiliated entities. *Schwab* provides the Registrant with access to its institutional trading and operations services not typically available to *Schwab* retail customers. These services generally are available to independent investment advisors at no charge to them so long as a total of at least \$10 million of the Registrant's clients' account assets are maintained at *Schwab* Advisor Services. *Schwab* Advisor Services' services include brokerage, custody, research and access to mutual funds and other investments that are otherwise available only to institutional investors or would require a significantly higher minimum initial investment. *Schwab* Advisor Services also makes available to the Registrant other products and services that benefit the Registrant. Some of these other products and services assist the Registrant in managing and administering clients' accounts. These include software and other technology that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts.), provide research, pricing information, and other market data, facilitate payment of the Registrant's fees from its clients' accounts, and assist with back-office support, record-keeping and client reporting. Many of these

services generally may be used to service all or a substantial number of the Registrant's accounts, including accounts not maintained at *Schwab* Advisor Services.

*Schwab* Advisor Services provides various products, services and other benefits to the Registrant at no cost or a reduced cost based upon the Registrant's commitment that the Registrant place or maintain a specified dollar amount of assets in accounts with *Schwab* Advisor Services within a specified period of time. The Registrant may be influenced by this commitment in recommending or requiring that clients establish brokerage accounts at *Schwab* Advisor Services.

Some of the products, services and other benefits provided by *Schwab* Advisor Services benefit the Registrant and may not benefit the Registrant's client accounts. The Registrant's recommendation that a client place assets in *Schwab*'s custody may be used in part on benefits to the Registrant, and not solely on the nature, cost or quality of custody and execution services provided by *Schwab*.

**The Registrant's Chief Compliance Officer, Kara Downing, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding conflict of interest such arrangement may create.**

#### Research and Additional Benefits

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, Registrant may receive from *Schwab* and/or *RJFS* (or another broker-dealer/custodian) without cost (and/or at a discount) support services and/or products, certain of which assist the Registrant to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by the Registrant may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by Registrant in furtherance of its investment advisory business operations.

As indicated above, certain of the support services and/or products that *may* be received may assist the Registrant in managing and administering client accounts. Others do not directly provide such assistance, but rather assist the Registrant to manage and further develop its business enterprise.

Registrant's clients do not pay more for investment transactions effected and/or assets maintained at *Schwab* and/or *RJFS* as a result of this arrangement. There is no corresponding commitment made by the Registrant to *Schwab* and/or *RJFS* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

**The Registrant's Chief Compliance Officer, Kara Downing, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest such arrangement may create.**

2. The Registrant does not receive referrals from broker-dealers.
3. The Registrant does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and Registrant will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by Registrant. As a result, client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

**Please Note:** In the event that the client directs Registrant to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through Registrant.

**The Registrant's Chief Compliance Officer, Kara Downing, remains available to address any questions that a client or prospective client may have regarding the above arrangement.**

- B. To the extent that the Registrant provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless the Registrant decides to purchase or sell the same securities for several clients at approximately the same time. The Registrant may (but is not obligated to) combine or "bunch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among the Registrant's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. The Registrant shall not receive any additional compensation or remuneration as a result of such aggregation.

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

- A. Mimi Lord, the Chief Investment Officer of Registrant conducts or supervises the investment research, review and implementation of asset management account operations. Weekly meetings are held to review investment conditions and portfolio holdings. These investment meetings include, but are not limited to, Robert Smith, Matt Olver, Jeffrey Malbasa, Debra Boerger, Erica Aber, Tony Basalla, and Kara Downing. Accounts are regularly reviewed by the portfolio manager assigned to implement the investment selections decided upon.

- B. The Registrant *may* conduct account reviews on other than a periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.
- C. Investment advisory clients receive quarterly and annual reports listing securities held, current market value, and cost basis of investments, as well as any comments Registrant may have about any of the client's assets. Monthly custody statements and copies of all transaction confirmations are sent directly to the client by the custodial firm.

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

- A. As referenced in Item 12.A.1 above, the Registrant may receive an indirect economic benefit from *Schwab* and/or *RJFS*. The Registrant, without cost (and/or at a discount), may receive support services and/or products from *Schwab* and/or *RJFS*.

Registrant's clients do not pay more for investment transactions effected and/or assets maintained at *Schwab* and/or *RJFS* as a result of this arrangement. There is no corresponding commitment made by the Registrant to *Schwab* and/or *RJFS* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

**The Registrant's Chief Compliance Officer, Kara Downing, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest any such arrangement may create.**

- B. If a client is introduced to the Registrant by either an unaffiliated or an affiliated solicitor, Registrant *may* pay that solicitor a referral fee in accordance with the requirements of Rule 206(4)-3 of the Investment Advisers Act of 1940, and any corresponding state securities law requirements. Any such referral fee shall be paid solely from the Registrant's investment management fee, and shall not result in any additional charge to the client. If the client is introduced to the Registrant by an unaffiliated solicitor, the solicitor, at the time of the solicitation, shall disclose the nature of his/her/its solicitor relationship, and shall provide each prospective client with a copy of the Registrant's written Brochure with a copy of the written disclosure statement from the solicitor to the client disclosing the terms of the solicitation arrangement between the Registrant and the solicitor, including the compensation to be received by the solicitor from the Registrant.

#### **Item 15      Custody**

The Registrant shall have the ability to have its advisory fee for each client debited by the custodian on a quarterly basis. Investment advisory clients receive quarterly and annual reports listing securities held, current market value, and cost basis of investments, as well as any comments Registrant may have about any of the client's assets. Monthly custody statements and copies of all transaction confirmations are sent directly to the client by the custodial firm.

**Please Note:** To the extent that the Registrant provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by

the Registrant with the account statements received from the account custodian. The Registrant's statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

**Please Also Note:** The account custodian does not verify the accuracy of the Registrant's advisory fee calculation.

## **Item 16 Investment Discretion**

The client can determine to engage the Registrant to provide investment advisory services on a discretionary basis. Prior to the Registrant assuming discretionary authority over a client's account, the client shall be required to execute an *Investment Advisory Agreement*, naming the Registrant as the client's attorney and agent in fact, granting the Registrant full authority to buy, sell, or otherwise effect investment transactions involving the assets in the client's name found in the discretionary account.

Clients who engage the Registrant on a discretionary basis may, at anytime, impose restrictions, **in writing**, on the Registrant's discretionary authority. (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe the Registrant's use of margin, etc).

## **Item 17 Voting Client Securities**

Unless a client directs otherwise, in writing, the Registrant shall be responsible for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the assets. The Registrant and/or the client shall correspondingly instruct each custodian of the assets to forward to the Registrant copies of all proxies and shareholder communications relating to the assets. Absent mitigating circumstances and/or conflicts of interest (to the extent any such circumstance or conflict is presented, if ever, information pertaining to how the Registrant addressed any such circumstance or conflict shall be maintained by the Registrant), it is the Registrant's general policy to vote proxies consistent with the recommendation of the senior management of the issuer. The Registrant shall monitor corporate actions of individual issuers and investment companies consistent with the Registrant's fiduciary duty to vote proxies in the best interests of its clients. With respect to individual issuers, the Registrant may be solicited to vote on matters including corporate governance, adoption or amendments to compensation plans (including stock options), and matters involving social issues and corporate responsibility. With respect to investment companies (e.g., mutual funds), the Registrant may be solicited to vote on matters including the approval of advisory contracts, distribution plans, and mergers. The Registrant shall maintain records pertaining to proxy voting as required pursuant to Rule 204-2 (c)(2) under the Advisers Act. Copies of Rules 206(4)-6 and 204-2(c)(2) are available upon written request. In addition, information pertaining to how the Registrant voted on any specific proxy issue is also available upon written request. Requests should be made by contacting the Registrant's Chief Compliance Officer, Kara Downing.

**Item 18      Financial Information**

- A. The Registrant does not solicit fees of more than \$1,200, per client, six months or more in advance.
- B. The Registrant is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.
- C. The Registrant has not been the subject of a bankruptcy petition.

**ANY QUESTIONS: The Registrant's Chief Compliance Officer, Kara Downing, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.**