

# **Saperston Asset Management, Inc.**

172 Lake Street  
Hamburg, NY 14075

Telephone: 716-649-9800 x226  
Email: [dhasenstab@saperston.com](mailto:dhasenstab@saperston.com)  
Web Address: [www.saperston.com](http://www.saperston.com)

## **Disclosure Brochure**

Part 2A of Form ADV

March 2012

This brochure provides information about the qualifications and business practices of Saperston Asset Management, Inc.. If you have any questions about the contents of this brochure, please contact us at 716-649-9800 x226 or [dhasenstab@saperston.com](mailto:dhasenstab@saperston.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Saperston Asset Management, Inc. also 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. Our firm's CRD number is 44379.

## **Item 2     Material Changes**

Saperston Asset Management, Inc. (SAMI) has prepared its Form ADV Part 2A Disclosure Brochure ("Brochure") dated March 2012 in accordance with the disclosure formatting guidelines adopted by the SEC.

After our 2011 initial filing of this Brochure, this item will be used to provide our clients with a summary of new and /or updated information. We will inform you of the revision(s) based on the nature of the updated information.

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

### **2012 Material Changes**

While there are no material changes to this version of Saperston Asset Management, Inc.'s Brochure, we have made changes to improve the layout and corrected some typographical errors throughout the document.

<b>Item 3</b>	<b>Table of Contents</b>	<b>Page</b>
Item 2	Material Changes .....	2
Item 3	Table of Contents .....	3
Item 4	Advisory Business.....	4
Item 5	Fees and Compensation.....	7
Item 6	Performance-Based Fees and Side-By-Side Management.....	10
Item 7	Types of Clients .....	10
Item 8	Methods of Analysis, Investment Strategies and Risk of Loss .....	11
Item 9	Disciplinary Information.....	14
Item 10	Other Financial Industry Activities and Affiliations.....	14
Item 11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	17
Item 12	Brokerage Practices.....	19
Item 13	Review of Accounts .....	20
Item 14	Client Referrals and Other Compensation .....	21
Item 15	Custody .....	21
Item 16	Investment Discretion .....	21
Item 17	Voting Client Securities .....	22
Item 18	Financial Information.....	22

#### **Item 4    Advisory Business**

Saperston Asset Management, Inc. is a SEC-registered investment adviser with its principal place of business located in New York. Saperston Asset Management, Inc. began conducting business in 1997.

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

- Scenic Buffalo, LP, Sole Shareholder

In addition, the following information identifies publicly held subsidiaries that indirectly own 25% or more of our firm:

- Karen Leber Saperston, President
- Willard B. Saperston, Investment Committee Member

Saperston Asset Management, Inc. offers the following advisory services to our clients:

#### **INVESTMENT SUPERVISORY SERVICES ("ISS") INDIVIDUAL PORTFOLIO MANAGEMENT**

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

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

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

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

- Exchange-listed securities
- Securities traded over-the-counter
- Foreign issuers
- Corporate debt securities (other than commercial paper)
- Commercial paper
- Certificates of deposit
- Municipal securities

- Variable life insurance
- Variable annuities
- Mutual fund shares
- United States governmental securities
- Options contracts on securities
- Other

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

**Managed account program offerings include:**

Saperston asset management, inc. (SAMI) the investment adviser offers managed account services through three different programs. (1) wrap fee program, (2) Saratoga, (3) managed account. The wrap fee program accounts are carried exclusively through Saperston asset management inc., (broker/dealer). The Saratoga asset allocation program uses exclusively the several different portfolios contained within the Saratoga advantage trust the other programs can also be carried through SAMI or broker/dealer of client's choice. The services offered are as follows:

(1.) "Wrap fee program" (wrap) upon execution of a contract, SAMI will assist the client in choosing from a pool of registered investment advisers; those that are most consistent with the clients investment objectives. The client will meet with several advisers and choose the adviser(s) who will ultimately manage their funds. On occasion an investment ill refer an account to an acct executive at SAMI. In this case we do not provide assistance with selection of a manager for obvious reasons. SAMI will compensate the manager from the wrap fee and execute trades through SAMI with a transaction fee up to \$20 per transaction plus \$3.50 postage & handling.

(2.) Saratoga asset allocation program: SAMI will agree to consult with its client to assist the client in the formulation of its investment objectives and the development of criteria used to establish an asset allocation among various asset classes, designed in the applicants opinion, to achieve the client's stated risk and return objectives. Based on the responses given by client on a questionnaire, applicant will develop an asset allocation strategy utilizing ("sharp") - strategic horizon asset reallocation program, a computer based asset allocation system developed by Saratoga capital management, as a tool in connection with its provision of the recommendation.

Applicant will recommend an allocation among several different portfolios contained within the Saratoga advantage trust. The trust's investment adviser, Saratoga capital management, is also responsible for the development of sharp.

From time to time, sharp may provide SAMI with recommended changes in the allocation of program assets among the portfolios, based on revised information including but not limited to changes in market conditions. SAMI may provide client with its own recommended changes in the allocation of program assets among the portfolios; the client receives no recommendation directly from sharp. All recommendations made to client will be those of SAMI, and that

SAMI's recommendations may not be identical to those generated by sharp. SAMI will implement its recommended allocation change only if:

(a) client has selected the discretionary management option in which case the change will be effected without first consulting client.

(b) client has notified SAMI that client accepts the recommended allocation change or SAMI has confirmed client's wishes in a negative response letter.

At any time after client notifies SAMI of a change in client's circumstances or makes any change to client's profile information, SAMI may provide client with a new recommendation, based on such new information. Client may, at any time, instruct SAMI to allocate clients program assets among the portfolios differently from the allocation recommended most recently by SAMI, to client. Client understands that any such instruction may cause the account to become a non-discretionary account.

SAMI will cause client to be furnished with an initial confirmation of client's investment in shares of the trust's portfolios, and with quarterly reports as follows:

(a) a statement reflecting confirmation of all activity in the account.

(b) account and performance reports, prepared by the trust or its service providers, which may contain a summary of the allocation of the program assets among the portfolios, a record

Of the performance of program assets in the trust and rates of return as compared to appropriate market indices and other information including fee information, regarding the account.

### 3. SAMI managed account program:

the program utilizes any number of different open & closed end and exchange traded mutual funds, stocks and/or bonds. They are consolidated on one account statement. In addition to the annual fee of 1 1/2% of assets under management, the b/d executing the orders may levy ticket charges, commissions, principal trade mark ups, postage & handling fees on trades. While most clients utilize SAMI as the B/D, other B/D's may be utilized at the client's discretion. Therefore, SAMI may be acting in the capacity of both the investment adviser and the broker dealer of record and may be receiving management fees in addition to the other costs discussed above. In addition the client may incur exchange fees levied by the clearing firm. The purpose of this modification is to offer greater flexibility to clients in terms of providing aggressive, intermediate, conservative, or income accounts run under individually tailored programs for the specific client.

Based on the year 2000, 2001 & 2002 risk model, of the NASDAQ's dropping by 75%, any of the SAMI asset allocation programs can be changed by SAMI or client on an immediate basis and would at that time become a "custom allocated" account without a specific change to the advisory agreement.

Upon receipt of a new account SAMI will enter each security position currently in the client's account into a point & figure database for a cursory review of price trends, relative strength vs. Securities in the peer group as well as relative strength vs. the market. A determination will then be made as to whether a security should be sold immediately, a stop loss placed, or sold at a higher target price. This will continue until the securities "foreign" to SAMI are eventually liquidated and replaced with the choices of SAMI's investment committee.

## CONSULTING SERVICES

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

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

## AMOUNT OF MANAGED ASSETS

As of 12/31/2011, we were actively managing \$96,403,117 of client assets on a discretionary basis plus \$47,667,602 of clients' assets on a non-discretionary basis. Of the \$47,667,602 of non-discretionary assets which we are overseeing \$1,318,026 of those clients' assets being managed by third-party money managers.

### Item 5 Fees and Compensation

#### INVESTMENT SUPERVISORY SERVICES ("ISS") INDIVIDUAL PORTFOLIO MANAGEMENT FEES

Our annual fees for Investment Supervisory Services are based upon a percentage of assets under management and generally do not exceed 2.25%.

SAMI's managed account programs may subject clients to fees from both SAMI (BD) & the mutual funds into which SAMI invests client's funds. In addition clients may be charged mark ups & mark downs when SAMI (BD) acts as principal on bond trades and commissions on equity & option trades. All programs will bill fees quarterly in advance based on the portfolio value at the end of the previous quarter. SAMI reserves the right to negotiate fees.

A minimum of \$10,000 of assets under management is required for this service. This account size may be negotiable under certain circumstances. Saperston Asset Management, Inc. may group certain related client accounts for the purposes of achieving the minimum account size and determining the annualized fee.

Wrap program - the wrap fee paid by a client may include the charges that would otherwise be paid in the form of brokerage commissions.

Saratoga & SAMI managed account programs - in some instances, related persons may receive 12 b-1 fees from the mutual funds.

**Limited Negotiability of Advisory Fees:** Saperston Asset Management, Inc. retains the discretion to negotiate alternative fees on a client-by-client basis. Client facts, circumstances and needs are considered in determining the fee schedule. These include the complexity of the client, assets to be placed under management, anticipated future additional assets; related accounts; portfolio style, account composition, reports, among other factors. The specific annual fee schedule is identified in the contract between the adviser and each client.

We may group certain related client accounts for the purposes of achieving the minimum account size requirements and determining the annualized fee.

Discounts, not generally available to our advisory clients, may be offered to family members and friends of associated persons of our firm.

### **ADVISORY REFERRAL SERVICES FEES**

We do not refer clients to advisers for a fee. Although through our wrap fee program we do offer guidance in the selection of advisers in which the client is charged one fee which we share with the chosen adviser. We do enter into an advisory agreement with a client for this service. We typically receive 1% -1.25% of the assets under management as does the other advisor. The total fee will not exceed 2.25%.

Clients will receive both our disclosure document and the other Adviser's disclosure document for information regarding its fees, billing practices, minimum required investments and termination of advisory agreements.

### **CONSULTING SERVICES FEES**

Saperston Asset Management, Inc.'s Consulting Services fee is determined based on the nature of the services being provided and the complexity of each client's circumstances. All fees are agreed upon prior to entering into a contract with any client.

Our Consulting Services fees are calculated and charged on an hourly basis, ranging from \$150 to \$1,000 per hour. An estimate for the total hours is determined at the start of the advisory relationship.

Our Consulting Services fees are calculated and charged on a fixed fee basis, subject to the specific arrangement reached with the client.

Management personnel and other related persons of our firm are licensed as registered representatives of a broker-dealer and/or licensed as insurance agents. In their separate capacity(ies), these individuals are able to implement investment recommendations for advisory clients for separate and typical compensation (i.e., commissions, 12b-1 fees or other sales-related forms of compensation). This presents a conflict of interest to the extent that these individuals recommend that a client invest in a security which results in a commission being paid to the individuals. Clients are not under any obligation to engage these individuals when considering implementation of advisory recommendations. The implementation of any or all recommendations is solely at the discretion of the client.

### **GENERAL INFORMATION**

***Termination of the Advisory Relationship:*** A client agreement may be canceled at any time, by either party, for any reason upon receipt of 30 days written notice. As disclosed above, certain fees are paid in advance of services provided. Upon termination of any account, any prepaid, unearned fees will be refunded. In calculating a client's reimbursement of fees, we will pro rate the reimbursement according to the number of days remaining in the billing period.

In the event of termination of the agreement in any manner, SAMI will have no independent obligation to recommend or take any action with regard to the securities, cash or other investments in the account and SAMI will be under no obligation to liquidate any securities owned by client.

SAMI reserves the right to terminate this agreement if client's redemptions of portfolio share (other than redemptions effected to pay fees) cause the value of the portfolio shares held in

the account to fall below \$10,000, provided that client has not invested additional amounts sufficient to restore such value to at least \$10,000 within thirty days after receiving written notice of some form from SAMI. In addition, the agreement will terminate automatically five calendar days after all portfolio shares are redeemed for any reason and no program assets remain in client's account

SAMI may terminate the managed account program described herein by giving thirty day written notice to all clients. Termination of the program will cause the agreement to terminate automatically and simultaneously.

Any controversy or claim, including, but not limited to, errors and omissions arising out of or relating to our agreement or the breach thereof, shall be settled by arbitration in accordance with the code of Commercial Arbitration of the American Arbitration Association ("AAA"), and judgement upon the award rendered by the arbitrator(s) may be entered in any court having jurisdiction thereof. Client understands that this agreement to arbitrate does not constitute a waiver of the right to seek a judicial forum where such a waiver would be void under the federal securities laws.

**Mutual Fund Fees:** All fees paid to Saperston Asset Management, Inc. for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or ETFs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund also imposes sales charges, a client may pay an initial or deferred sales charge. A client could invest in a mutual fund directly, without our services. 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 which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

**Wrap Fee Programs and Separately Managed Account Fees:** Clients participating in separately managed account programs may be charged various program fees in addition to the advisory fee charged by our firm. Such fees may include the investment advisory fees of the independent advisers, which may be charged as part of a wrap fee arrangement. In a wrap fee arrangement, clients pay a single fee for advisory and brokerage services. Client's portfolio transactions may be executed without commission charge in a wrap fee arrangement. In evaluating such an arrangement, the client should also consider that, depending upon the level of the wrap fee charged by the broker-dealer, the amount of portfolio activity in the client's account, and other factors, the wrap fee may or may not exceed the aggregate cost of such services if they were to be provided separately. We will review with clients any separate program fees that may be charged to clients.

**Additional Fees and Expenses:** In addition to our advisory fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker dealers, including, but not limited to, any transaction charges imposed by a broker dealer with which an independent investment manager effects transactions for the client's account(s). Please refer to the "Brokerage Practices" section (Item 12) of this Form ADV for additional information.

**Grandfathering of Minimum Account Requirements:** Pre-existing advisory clients are subject to Saperston Asset Management, Inc.'s minimum account requirements and advisory fees in effect at the time the client entered into the advisory relationship. Therefore, our firm's

minimum account requirements will differ among clients.

**ERISA Accounts:** Saperston Asset Management, Inc. is deemed to be a fiduciary to advisory clients that are employee benefit plans or individual retirement accounts (IRAs) pursuant to the Employee Retirement Income and Securities Act ("ERISA"), and regulations under the Internal Revenue Code of 1986 (the "Code"), respectively.

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

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

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

Saperston Asset Management, Inc. does not charge performance-based fees.

## **Item 7 Types of Clients**

Saperston Asset Management, Inc. provides advisory services to the following types of clients:

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

As previously disclosed in Item 5, our firm has established certain initial minimum account requirements, based on the nature of the service(s) being provided. For a more detailed understanding of those requirements, please review the disclosures provided in each applicable service.

As previously disclosed in Item 5, our firm has established certain minimum account requirements to maintain an account, based on the nature of the service(s) being provided. For a more detailed understanding of those requirements, please review the disclosures provided in each applicable service.

As previously disclosed in Item 5, our firm has established certain minimum account requirements to maintain an account, based on the nature of the service(s) being provided. For a more detailed understanding of those requirements, please review the disclosures provided in each applicable service.

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

### METHODS OF ANALYSIS

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

**Charting.** In this type of technical analysis, we review charts of market and security activity in an attempt to identify when the market is moving up or down and to predict how long the trend may last and when that trend might reverse.

**Fundamental Analysis.** We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell).

Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

**Technical Analysis.** We analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement.

Technical analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly-managed or financially unsound company may underperform regardless of market movement.

**Cyclical Analysis.** In this type of technical analysis, we measure the movements of a particular stock against the overall market in an attempt to predict the price movement of the security.

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

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

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

misleading information.

Research is conducted along technical lines, adhering to the relationship between supply and demand. Fundamental research tells us what ought to happen, while technical research tells us what is happening with indications of future probabilities. There is no guarantee that technical analysis can accurately predict the market, and there is potential for loss with any investment strategy. Technical analysis gives us the discipline to take timely action.

The SAMI wrap fee program provides guidance and advice on the selection of investment managers rather than direct investment advice. SAMI will only include managers in its program after conducting an investigation into their investment strategy, historical results and other operational issues.

SAMI asset allocation svc - methods of analysis include items already checked including information sources such as morningstar, the internet, and other publications. Investment strategies include momentum comparison and comparison to peers in universe of funds.

### **INVESTMENT STRATEGIES**

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

**Long-term purchases.** We purchase securities with the idea of holding them in the client's account for a year or longer. Typically we employ this strategy when:

- we believe the securities to be currently undervalued, and/or
- we want exposure to a particular asset class over time, regardless of the current projection for this class.

A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantage of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

**Short-term purchases.** When utilizing this strategy, we purchase securities with the idea of selling them within a relatively short time (typically a year or less). We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase.

A short-term purchase strategy poses risks should the anticipated price swing not materialize; we are then left with the option of having a long-term investment in a security that was designed to be a short-term purchase, or potentially taking a loss.

In addition, this strategy involves more frequent trading than does a longer-term strategy, and will result in increased brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains.

**Trading.** We purchase securities with the idea of selling them very quickly (typically within 30 days or less). We do this in an attempt to take advantage of our predictions of brief price swings.

Utilizing a trading strategy creates the potential for sudden losses if the anticipated price swing does not materialize. Moreover, under those circumstances, we are left with few options:

- having a long-term investment in a security that was designed to be a short-term purchase, or
- the potential of having to taking a loss.

In addition, because this strategy involves more frequent trading than does a longer-term strategy, there will be a resultant increase in brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains.

**Short sales.** We borrow shares of a stock for your portfolio from someone who owns the stock on a promise to replace the shares on a future date at a certain price. Those borrowed shares are then sold. On the agreed-upon future date, we buy the same stock and return the shares to the original owner. We engage in short selling based on our determination that the stock will go down in price after we have borrowed the shares. If we are correct and the stock price has gone down since the shares were purchased from the original owner, the client account realizes the profit.

Short selling results in some unique risks:

1. *Losses can be infinite.* A short sale loses when the stock price rises, and a stock is not limited (at least, theoretically) in how high it can go. For example, if you short 100 shares at \$50 each, hoping to make a profit but the shares increase to \$75 per share, you'd lose \$2,500. On the other hand, the price of a stock cannot fall below \$0, which limits your potential upside.
2. *Short squeezes can wring out profits.* As stock prices increase, short seller losses also increase as sellers rush to buy the stock to cover their positions. This increase in demand, in turn, further drives the prices up.
3. *Timing.* Even if we are correct in determining that the price of a stock will decline, we run the risk of incorrectly determining when the decline will take place, i.e., being right too soon. Although a company is overvalued, it could conceivably take some time for the price to come down; during which you are vulnerable to interest, margin calls, etc.
4. *Inflation.* History has shown that over the long term, most stocks appreciate. Even if a company barely improves over time, inflation should drive its share price up somewhat. In fact, short selling may not be appropriate in times of inflation for that very reason, as prices may adjust upwards regardless of the value of the stock.

**Margin transactions.** We will purchase stocks for your portfolio with money borrowed from your brokerage account. This allows you to purchase more stock than you would be able to with your available cash, and allows us to purchase stock without selling other holdings.

**Option writing.** We may use options as an investment strategy. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an asset (such as a share of stock) at a specific price on or before a certain date. An option, just like a stock or bond, is a security. An option is also a derivative, because it derives its value from an underlying asset.

The two types of options are calls and puts:

- A call gives us the right to buy an asset at a certain price within a specific period of time. We will buy a call if we have determined that the stock will increase substantially before the option expires.
- A put gives us the holder the right to sell an asset at a certain price within a specific period of time. We will buy a put if we have determined that the price of the stock will fall before the option expires.

We will use options to speculate on the possibility of a sharp price swing. We will also use options to "hedge" a purchase of the underlying security; in other words, we will use an option purchase to limit the potential upside and downside of a security we have purchased for your portfolio.

We use "covered calls", in which we sell an option on security you own. In this strategy, you receive a fee for making the option available, and the person purchasing the option has the right to buy the security from you at an agreed-upon price.

We use a "spreading strategy", in which we purchase two or more option contracts (for example, a call option that you buy and a call option that you sell) for the same underlying security. This effectively puts you on both sides of the market, but with the ability to vary price, time and other factors.

**Risk of Loss.** Securities investments are not guaranteed and you may lose money on your investments. Clients should understand that investing in any securities, including mutual funds, involves a risk of loss of both income and principal. We ask that you work with us to help us understand your tolerance for risk.

## **Item 9 Disciplinary Information**

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

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

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

### ***FIRM Registrations:***

In addition to Saperston Asset Management, Inc. being a registered investment adviser, our firm is registered as a FINRA member broker-dealer. A list of affiliated broker-dealers is specifically disclosed in Section 7.A. on Schedule D of Form ADV, Part 1, which can be accessed by following the directions provided on the Cover Page of this Firm Brochure.

### ***MANAGEMENT PERSONNEL Registrations:***

Management personnel of Saperston Asset Management, Inc. are separately licensed as registered representatives of Saperston Asset Management, Inc., an affiliated broker-dealer. These individuals, in their separate capacity, can effect securities transactions for which they will receive separate, yet customary compensation.

While Saperston Asset Management, Inc. and these individuals endeavor at all times to put

the interest of the clients first as part of our fiduciary duty, clients should be aware that the receipt of additional compensation itself creates a conflict of interest, and may affect the judgment of these individuals when making recommendations.

Members of our firm's management are separately licensed as an investment adviser representative of Willard B. Saperston, Inc. In that capacity, this individual provides advisory services through Willard B. Saperston, Inc. The advisory services delivered by Willard B. Saperston, Inc. are distinct from those provided by our firm and are provided for separate compensation. Willard B. Saperston, Inc.'s advisory services may be recommended to our clients for whom it is appropriate. There are no referral fee arrangements between our firm and Willard B. Saperston, Inc.. However, a conflict of interest is created by this arrangement to the extent that this individual recommends that a Saperston Asset Management, Inc. client open a Willard B. Saperston, Inc. account through which this individual will receive additional compensation. No Saperston Asset Management, Inc. client is obligated to use Willard B. Saperston, Inc. or its services. Clients choosing to implement Saperston Asset Management, Inc.'s recommendations through Willard B. Saperston, Inc.'s advisory services should refer to Willard B. Saperston, Inc.'s Firm Brochure or other disclosure document for details regarding that firm's services and fees.

We may occasionally trade the same or similar securities in client portfolios that are traded by Willard B. Saperston, Inc. in its client portfolios. When this occurs, our clients may receive a better or worse price or execution than Willard B. Saperston, Inc. depending on the order of trade execution, the type of security traded and the broker-dealer used.

As this affiliation with Willard B. Saperston, Inc. may present potential conflicts of interest, we have established written policies and procedures for insider trading that prohibit any member, officer or employee of our firm, from buying, selling or recommending the securities of companies bought, sold or recommended by Willard B. Saperston, Inc. where the decision is substantially derived, in whole or in part, by reason of access to the recommendations of Willard B. Saperston, Inc. to its clients.

The primary business of the executive officers and investment committee is providing brokerage services to the retail investing public as registered reps through Saperston Asset Management, Inc. The Wrap, the Saratoga asset allocation program and the SAMI managed account program, are additional services provided. In addition, Willard B. Saperston is the treasurer and director of Willard B. Saperston Inc. Investment advisor Mr. Saperston spends the majority of his time on SAMI B/D. Bruce E. Warner is the president of Willard B. Saperston, Inc. Mr. Warner spends the majority of his time on SAMI B/D. David C. Hasenstab is also the chief compliance officer of Willard B. Saperston Inc. Mr. Hasenstab spends the majority of his time on SAMI B/D, as do all personnel.

SAMI shares fees & expenses with Willard B. Saperston, inc. WBSI) an investment advisor and has an on going relationship which includes payroll, bookkeeping, and clerical services, in addition to the overlap of research, salaries, general operating expenses, responsibilities, etc. Between the advisors. Because gross revenues of both, SAMI & WBSI, are used to pay expenses, such as research, salaries, etc. On an "arbitrary basis", expenses are shared.

Related persons of applicant may buy or sell securities it recommends to clients. Client transactions will be executed prior to those of related persons as a matter of policy unless block traded. All employees of applicant will furnish to the applicant a monthly statement consisting of:

- (1) a transaction report showing securities purchased or sold.
- (2) a current holdings report showing the current long/short positions of the employee.  
(monthly statements are received by compliance)

Employees of the applicant will sign a statement that they have read and understand this policy as it relates to their personal transactions

As required, any affiliated investment advisers are specifically disclosed in Section 7.A. on Schedule D of Form ADV, Part 1. (Part 1 of our Form ADV can be accessed by following the directions provided on the Cover Page of this Firm Brochure.)

Clients should be aware that the receipt of additional compensation by Saperston Asset Management, Inc. and its management persons or employees creates a conflict of interest that may impair the objectivity of our firm and these individuals when making advisory recommendations. Saperston Asset Management, Inc. endeavors at all times to put the interest of its clients first as part of our fiduciary duty as a registered investment adviser; we take the following steps to address this conflict:

- we disclose to clients the existence of all material conflicts of interest, including the potential for our firm and our employees to earn compensation from advisory clients in addition to our firm's advisory fees;
- we disclose to clients that they are not obligated to purchase recommended investment products from our employees or affiliated companies;
- we collect, maintain and document accurate, complete and relevant client background information, including the client's financial goals, objectives and risk tolerance;
- our firm's management conducts regular reviews of each client account to verify that all recommendations made to a client are suitable to the client's needs and circumstances;
- we require that our employees seek prior approval of any outside employment activity so that we may ensure that any conflicts of interests in such activities are properly addressed;
- we periodically monitor these outside employment activities to verify that any conflicts of interest continue to be properly addressed by our firm; and
- we educate our employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients.

SAMI may from time to time pay consulting fees to WBSI

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

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

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

Our Code of Ethics includes policies and procedures for the review of monthly brokerage statements. Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our code also provides for oversight, enforcement and recordkeeping provisions.

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

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email sent to [dhasenstab@saperston.com](mailto:dhasenstab@saperston.com), or by calling us at 716-649-9800.

Saperston Asset Management, Inc. or individuals associated with our firm may buy securities for the firm or for themselves from our advisory clients; or sell securities owned by the firm or the individual(s) to our advisory clients. We will ensure, however, that such transactions are conducted in compliance with all the provisions under Section 206(3) of the Advisers Act governing principal transactions to advisory clients.

Saperston Asset Management, Inc. may, at times, effect an agency cross transaction for an advisory client, provided that the transaction is consistent with our firm's fiduciary duty to the client and that all requirements outlined in Sec. 206(3)-2 of the Investment Advisers Act of 1940 are met.

An agency cross transaction is a transaction where our firm acts as an investment adviser in relation to a transaction in which Saperston Asset Management, Inc. any person controlled by or under common control with our firm, acts as broker for both the advisory client and for another person on the other side of the transaction.

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

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

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

accounts.

We may aggregate our employee trades with client transactions where possible and when compliant with our duty to seek best execution for our clients. In these instances, participating clients will receive an average share price and transaction costs will be shared equally. In the instances where there is a partial fill of a particular batched order, we will allocate all purchases, with each account paying the average price. Our employee accounts may be included in the allocation.

As these situations represent actual or potential conflicts of interest to our clients, we have established the following policies and procedures for implementing our firm's Code of Ethics, to ensure our firm complies with its regulatory obligations and provides our clients and potential clients with full and fair disclosure of such conflicts of interest:

1. No principal or employee of our firm may put his or her own interest above the interest of an advisory client.
2. No principal or employee of our firm may buy or sell securities for their personal portfolio(s) where their decision is a result of information received as a result of his or her employment unless the information is also available to the investing public.
3. It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account. This prevents such employees from benefiting from transactions placed on behalf of advisory accounts.
4. Our firm requires prior approval for any IPO or private placement investments by related persons of the firm.
5. We have established procedures for the maintenance of all required books and records.
6. All clients are fully informed that related persons may receive separate commission compensation when effecting transactions during the implementation process.
7. Clients can decline to implement any advice rendered, except in situations where our firm is granted discretionary authority.
8. All of our principals and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
9. We require delivery of the Code of Ethics to each supervised person of our firm.
10. We have established policies requiring the reporting of Code of Ethics violations to our senior management.
11. Any individual who violates any of the above restrictions may be subject to termination.

As disclosed in the preceding section of this Brochure (Item 10), related persons of our firm are separately registered as securities representatives of a broker-dealer, investment adviser representatives of another registered investment adviser, and licensed as an insurance agent of various insurance companies. Please refer to Item 10 for a detailed explanation of these relationships and important conflict of interest disclosures.

## **Item 12 Brokerage Practices**

Saperston Asset Management, Inc. does not have any soft-dollar arrangements and does not receive any soft-dollar benefits.

Saperston Asset Management, Inc. will block trades where possible and when advantageous to clients. This blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts, so long as transaction costs are shared equally between all accounts included in any such block.

Block trading may allow us to execute equity trades in a timelier, more equitable manner, at an average share price. Saperston Asset Management, Inc. will typically aggregate trades among clients whose accounts can be traded at a given broker, and generally will rotate or vary the order of brokers through which it places trades for clients on any particular day. Saperston Asset Management, Inc.'s block trading policy and procedures are as follows:

- 1) Transactions for any client account may not be aggregated for execution if the practice is prohibited by or inconsistent with the client's advisory agreement with Saperston Asset Management, Inc., or our firm's order allocation policy.
- 2) The trading desk in concert with the portfolio manager must determine that the purchase or sale of the particular security involved is appropriate for the client and consistent with the client's investment objectives and with any investment guidelines or restrictions applicable to the client's account.
- 3) The portfolio manager must reasonably believe that the order aggregation will benefit, and will enable Saperston Asset Management, Inc. to seek best execution for each client participating in the aggregated order. This requires a good faith judgment at the time the order is placed for the execution. It does not mean that the determination made in advance of the transaction must always prove to have been correct in the light of a "20-20 hindsight" perspective. Best execution includes the duty to seek the best quality of execution, as well as the best net price.
- 4) Prior to entry of an aggregated order, a written order ticket must be completed which identifies each client account participating in the order and the proposed allocation of the order, upon completion, to those clients.
- 5) If the order cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day must be allocated pro rata among the participating client accounts in accordance with the initial order ticket or other written statement of allocation. However, adjustments to this pro rata allocation may be made to participating client accounts in accordance with the initial order ticket or other written statement of allocation. Furthermore, adjustments to this pro rata allocation may be made to avoid having odd amounts of shares held in any client account, or to avoid excessive ticket charges in smaller accounts.
- 6) Generally, each client that participates in the aggregated order must do so at the average price for all separate transactions made to fill the order, and must share in the commissions on a pro rata basis in proportion to the client's participation. Under the client's agreement with the custodian/broker, transaction costs may be based on the number of shares traded for each client.
- 7) If the order will be allocated in a manner other than that stated in the initial statement of

allocation, a written explanation of the change must be provided to and approved by the Chief Compliance Officer no later than the morning following the execution of the aggregate trade.

8) Funds and securities for aggregated orders are clearly identified on Saperston Asset Management, Inc.'s records and to the broker-dealers or other intermediaries handling the transactions, by the appropriate account numbers for each participating client.

9) No client or account will be favored over another.

## **Item 13    Review of Accounts**

### **INVESTMENT SUPERVISORY SERVICES ("ISS") INDIVIDUAL PORTFOLIO MANAGEMENT**

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

For all programs offered - the investment committee reviews the market value change with adjustments monthly for deposits and withdrawals.

1. Wrap program - the primary review function is performed by the portfolio manager selected by the client. This review function and those responsible will be disclosed in that portfolio manager's form adv-part ii which will be provided to a client prior to selecting such advisor.

2. SAMI managed account program - account balances and returns are reviewed by the investment committee. In the case of closed & open end mutual funds may or may not rank in the mid to top quartile and "star rating" of Morningstar data base.

These accounts are reviewed by: David C. Hasenstab

**REPORTS:** In addition to the monthly statements and confirmations of transactions that clients receive from their broker-dealer, we provide reports summarizing account performance, balances and holdings during scheduled meetings or upon request.

### **CONSULTING SERVICES**

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

**REPORTS:** Consulting Services clients will not typically receive reports due to the nature of the service.

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

### **CLIENT REFERRALS**

Our firm may pay referral fees to independent persons or firms ("Solicitors") for introducing clients to us. Whenever we pay a referral fee, we require the Solicitor to provide the prospective client with a copy of this document (our *Firm Brochure*) and a separate disclosure statement that includes the following information:

- the Solicitor's name and relationship with our firm;
- the fact that the Solicitor is being paid a referral fee;
- the amount of the fee; and
- whether the fee paid to us by the client will be increased above our normal fees in order to compensate the Solicitor.

As a matter of firm practice, the advisory fees paid to us by clients referred by solicitors are not increased as a result of any referral.

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

## **Item 15 Custody**

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

As part of this billing process, the client's custodian is advised of the amount of the fee to be deducted from that client's account. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period.

Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact us directly if they believe that there may be an error in their statement.

## **Item 16 Investment Discretion**

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

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

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

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

**Wrap program:**

The adviser selected by the client always determines what securities are bought and sold or in what amounts. SAMI will discuss with each client, at the beginning of each relationship and at regular intervals thereafter, the general strategies followed by the advisor selected. Each client will be given the opportunity to change strategies and/or managers or in the extreme, terminate the relationship.

The charges for trading the accounts are included in the wrap fee, except for a \$20 transaction fee and a \$3.50 postage & handling fee. Hence Saperston Asset Management, Inc will be the broker handling the trades at the advisors direction.

In the absence of limits set in advance by the client, the actual securities to be bought or sold and the amount and frequency of trading is at the discretion of the advisor selected.

Managed account programs: the client grants advisor the power and authority, as agent and attorney in fact, with respect to the account, when the advisor in its sole discretion, deems appropriate, and without prior consultation with client, to buy, sell, exchange, convert, and otherwise effect any transactions in the investments.

## **Item 17 Voting Client Securities**

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

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

## **Item 18 Financial Information**

As an advisory firm that, is deemed to have custody as disclosed above, is required to provide a copy of our firm's balance sheet, we are also required to disclose any financial condition that is reasonable likely to impair our ability to meet our contractual obligations. Saperston Asset Management, Inc. has no additional financial circumstances to report.

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

Saperston Asset Management, Inc. has not been the subject of a bankruptcy petition at any time during the past ten years.