

# **Saperston Asset Management, Inc.**

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## **SAPERSTON SELECT INVESTMENT MANAGEMENT PROGRAM**

**March 2012**

### **PART 2A APPENDIX 1 OF FORM ADV: WRAP FEE PROGRAM BROCHURE**

This wrap fee program 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 this Wrap Fee Program Brochure ("Wrap 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 Wrap Brochure. We have tried to improve the layout and corrected some typographical errors throughout the document.

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## Item 4 Services Fees and Compensation

### SERVICES

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

We sponsor the Saperston Select Investment Management Program (the "Program"), a wrap fee program. A wrap fee program is an advisory program under which a specified fee or fees not based directly on transactions in the client's account is charged for advisory services, which may include portfolio management or advice concerning the selection of other investment advisers, and the execution of client transactions.

This Wrap Fee Program Brochure is limited to describing the services, fees, and other necessary information clients should consider prior to becoming a client within the Program. For a complete description of the other services and fees offered by our firm, clients should refer to our Form ADV Part 2: Firm Brochure.

You may obtain a copy of our Firm Brochure by contacting David C. Hasenstab at 716-649-9800 ext. 226 or sending an email to [dhasenstab@saperston.com](mailto:dhasenstab@saperston.com)

### Fees

**Fee:** Clients pay an asset-based fee that covers the services provided by Saperston Asset Management, Inc.. The maximum annual fee rate for our services in the Program is **2.25%**. The fee is a fixed rate applicable to all assets in the account.

**How are Fees Charged?** Program fees are charged quarterly in advance. If management begins after the start of a month, Program fees will be prorated accordingly. When authorized by the client, fees will be debited from the account in accordance with the terms set forth in the Investment Management Agreement ("IMA").

**What services are covered by the Program fees?** Clients participating in separately managed account programs may be charged various program fees in addition to the advisory fee charged by our firm. The Program fees paid by a client may include the charges that would otherwise be paid in the form of brokerage commissions. 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. Upon entering into a wrap fee account arrangement with Saperston Asset Management, Inc., clients are free to designate any broker-dealer for executing securities transactions, including their continuation of a previous broker-dealer relationship. Clients can also elect to designate Saperston Asset Management, Inc. as their executing broker-dealer. Payments to the broker-dealer for its execution services will be accomplished via the wrap fee charges to the account.

Upon execution of a contract, SAMI will assist the client in choosing from a pool of registered investment advisors; those that are most consistent with the client's investment objectives. The client may meet with several advisors and choose the advisor(s) who will ultimately manage their funds. On occasion an investment advisor will refer an account to an account

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.

**What services are not covered by the Program fees?** The Program fees do not include expenses of mutual funds and electronically traded funds such as fund management fees charged to each fund's investors, mark-ups, mark-downs, or spreads paid to market makers, and/or odd-lot differential fees.

**Other Fees and Expenses.** Clients may incur charges for other account services provided not directly related to the execution and clearing of transactions, including, but not limited to, IRA custodial fees, safekeeping fees, wire transfer fees, interest charges on margin loans, exchange fees, and fees for transfers of securities, postage & handling fees.

**Additional Information about Program fees.** Under the Program, the participant receives investment advisory services, the execution of securities brokerage transactions, custody and reporting services for a single specified Program Fee. Clients are cautioned that depending on the level of fees charged by the executing broker-dealer, and the amount of portfolio activity in the clients' account, the value of the services provided under this Program may exceed the total cost of such services had they been provided separately. In addition, the Program Fee may be higher or lower than that charged by other sponsors of comparable wrap fee programs.

## **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 securities owned by client.

***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.

***Exchange-Traded Funds.*** Shares of ETFs held in client accounts are bought and sold on an exchange and not, like mutual funds, directly from the fund itself. The price of ETF shares

fluctuates in accordance with changes in the net asset value (NAV) per share, as well as in response to market supply and demand. Accordingly, ETF shares may trade at a price which differs from NAV per share of the ETF.

**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.

### COMPENSATION

As a rule Saperston Asset Management, Inc. does not enter into marketing arrangements with independent investment adviser and/or broker-dealer firms pursuant to which representatives of their firms ("Solicitors") offer our services, including participation in this program, to the public. If we were to enter into this type of arrangement, and we pay a cash referral fee to the Solicitor and/or their firm based upon a percentage of our advisory fee. The payment of referrals fees will not increase the amount of the fees paid by program participants. However, clients should be aware that the receipt of this compensation may create an incentive for the individual to recommend participation in this program over others for which no such compensation may be received.

As required by applicable law, the details of the solicitation arrangement, including the compensation payable to the solicitor, will be described to the client in a separate document provided to the client at the time of the referral.

## **Item 5 Account Requirements and Types of Clients**

### **MINIMUM ACCOUNT REQUIREMENTS**

Participation in this program is subject to certain minimum account requirements set by individual advisors or funds. For a more detailed understanding of these requirements, please review the disclosures provided in the preceding section.

Minimum account sizes are set by each portfolio manager and may range from **\$10,000** to **\$100,000**.

### **TYPES OF CLIENTS**

Saperston Asset Management, Inc. provides advisory services in the Saperston Select Investment Management Program Program, where appropriate, to:

- Individuals
- Pension & Profit Sharing Plans
- Trusts
- Estates
- Corporations
- Charitable Organizations
- Partnerships
- Other

## **Item 6 Portfolio Manager Selection and Evaluation**

### **PORTFOLIO MANAGER SELECTION**

### **PORTFOLIO PERFORMANCE REPORTING**

### **AFFILIATED PORTFOLIO MANAGERS**

**Selection of Affiliated Portfolio Managers.** In addition to utilizing portfolio managers unaffiliated with our firm, participating asset managers in this program include portfolio managers of firms affiliated with Saperston Asset Management, Inc. through common ownership or control of our firms (hereinafter referred to as "Affiliated Managers"). Saperston Asset Management, Inc.'s processes for evaluating Affiliated Managers are the same as those used for unaffiliated managers. We recognize the inherent conflicts of interest when assessing Affiliated Managers and assisting clients in selecting investment managers, because Saperston Asset Management, Inc. and/or our affiliates may receive more aggregate fees if clients select an investment manager that is affiliated with our firm. We seek to mitigate some of the associated conflicts of interest by applying uniform standards to ensure that clients' assets are managed in a fair and equitable manner.



## **Item 7 Client Information Provided to Portfolio Managers**

It is the responsibility of both Investment Advisers to obtain client suitability information initially and on an ongoing basis.

## **Item 8 Client Contact With Portfolio Managers**

Saperston Asset Management, Inc. investment adviser representatives are reasonably available to consult with clients regarding the status of their account. But should the client wish to communicate with the Portfolio Manager directly, they may. It is at the client's discretion.

## **Item 9 Additional Information**

### **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.

### **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 our firm are separately licensed as registered representatives of Saperston Asset Management, Inc., an affiliated FINRA member 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 may be separately licensed as investment adviser representative of Willard B. Saperston, Inc. In that capacity, they provide 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 may 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 Willard B. Saperston, Inc, and any other 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.

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;
- 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.

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. We share the fee with the chosen adviser. We do enter into a advisory agreement with a client for this service. We typically receive 1% - 1.25% of the assets under management as does the manager chosen. The total fee will not exceed 2.25%. The portion of the advisory fee paid to us does not increase the total advisory fee paid to the selected investment adviser by the client.

We are aware of the special considerations required under Rule 206(4)-3 of the Investment Advisers Act of 1940. As such, all appropriate disclosure shall be made and all applicable Federal and State laws will be observed.

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 us or our employees to earn compensation from the referral of clients to other registered investment advisers;
- We collect, maintain and document accurate, complete and relevant client background information, including the client's financial goals, objectives and risk tolerance;
- we conduct initial and periodic due diligence on the selected investment advisers to establish that the advisers are suitable to recommend to our clients; 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.

### **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 account 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 x226.

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. , 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 previously disclosed, related persons of our firm are separately registered as securities representatives of a broker-dealer, investment adviser representatives of another registered investment adviser, and/or licensed as an insurance agent/broker of various insurance companies. Please refer to the preceding section for a detailed explanation of these relationships and important conflict of interest disclosures.

### **Review of Accounts**

Saperston Asset Management, Inc. reviews client accounts no less often than quarterly. More frequent reviews may be triggered in the event of changes in management style or fund closures. Account reviews are conducted by David C. Hasenstab, Chief Compliance Officer

At least annually, we remind clients to update their investment profile. However, should there be any material change in the client's personal and/or financial situation, we should be notified immediately to determine whether any review and/or revision of the client's investment profile is warranted.

All clients receive account statements from their custodian on at least a quarterly basis. Additionally, the chosen adviser may prepare reports (refer to their brochure)

If we are the adviser on the account we will provide reports summarizing account performance, balances and holdings during scheduled meetings or upon request.

## **Client Referrals and Other Compensation**

Saperston Asset Management, Inc. shares fees for participation in the Program ("Program Participant") through representatives of affiliated broker-dealer firms and investment adviser firms (these firms are referred to in this brochure as "Financial Advisory Firm(s)" and their representatives are referred to as the "Financial Counselor(s)"). The Financial Counselor consults with the Program Participants to assess their financial situation and identify their investment objectives in order to implement appropriate strategy(ies) designed to meet the Program Participant's financial needs.

Financial Advisory Firms, which are registered as investment advisers and/or broker-dealers are exempt from such registration, receive fees for their services and compensation from Saperston Asset Management, Inc. for referrals of Program Participants. The amount of compensation earned for these referrals may be greater than the compensation that would otherwise be received if the services were provided separately. Accordingly, there may be a greater incentive for these individuals to recommend participation in this program.

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.

## **Financial Information**

As an advisory firm that is deemed to have custody OR 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.