

## **Item 1. Cover Page**

### **Part 2A of Form ADV Firm Brochure**

January 1, 2012

**Savant Capital, LLC**  
**dba Savant Capital Management**  
SEC File No. 801-43144

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This brochure provides information about the qualifications and business practices of Savant Capital, LLC dba Savant Capital Management. If you have any questions about the contents of this brochure, please contact us at [info@savantcapital.com](mailto:info@savantcapital.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 Savant Capital, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).



## Item 2. Material Changes

Initial publication date is January 2, 2012

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## Item 4. Advisory Business

### A. Description of Your Advisory Firm

Savant Capital, LLC is a Delaware corporation doing business as Savant Capital Management ("Savant"). Savant Capital, LLC is owned by SCMI, Inc. (formerly known as Savant Capital Management, Inc.) SCMI, Inc. is owned by Thomas Muldowney, Chairman of the Board (45% shareholder), Brent Brodeski, Chief Executive Officer (CEO) (45% shareholder), and Richard Bennett, Chief Operating Officer (COO) (10% shareholder). Savant, and its predecessor company have been offering investment advisory services since March of 1993. Savant is a fee-only investment management firm, offering asset management, financial planning, and consulting services.

#### A.1. Investment Committee

The asset management programs offered by and through Savant are formulated and supervised by Savant's investment committee. Savant's investment committee comprises certain members of the senior management team and certain members of the research and trading teams.

Savant's investment committee formulates all investment advice to be delivered to clients through a financial advisor that will be available to the client for consultation.

The committee is responsible for developing and monitoring the firm's investment program.

The committee will have the following goals and responsibilities with respect to the investment practices of Savant:

- To review and approve the investment and related strategies of Savant and to evaluate and monitor appropriate risk exposures relative to policy thresholds.
- To review the performance of the investment portfolios to ensure adherence to Savant's investment philosophy.

No Savant employee is permitted to modify the investment program except as provided by investment committee resolutions.

### B. Description of Advisory Services Offered

Savant is a fee-only investment management firm, offering two asset management services programs as well as financial planning and retirement plan consulting services. Savant's business philosophy is to seek to minimize investment risk through careful diversification and selection of appropriate investment vehicles within each asset class.

#### B.1. Asset Management Services

Savant offers its clients two asset management services programs:

- Savant Wealth Management
- Savant Portfolios

**B.1.a. Savant Wealth Management Services Program**

Through Savant Wealth Management Services, a dedicated financial advisor offers investment management, financial planning, and family office services to financially established individuals, trust funds, retirement plans, and non-profit organizations. There is a minimum assets fee of \$5,000.

Savant Wealth Management Services is intended to comply with Rule 3a-4 under the Investment Company Act of 1940. Clients' accounts are managed on the basis of their individual financial situations. Each client has the opportunity to select the account's investment objective and to impose reasonable restrictions on the management of the assets in the account. Clients will be contacted annually to determine if there are any changes to their investment goals, objectives, and risk tolerance, and notified quarterly inviting them to contact Savant for changes to their investment goals, objectives, and risk tolerance.

***Critical factors in developing an appropriate allocation of investment assets***

Savant helps the client to determine his or her investment objectives and policies. At Savant's discretion, these objectives may be documented for the client in an investment policy statement ("IPS"). The following are the major factors Savant considers when recommending and implementing investment recommendations:

- Risk tolerance
- Long-term rate-of-return objective
- Investment time horizon
- Income and liquidity needs
- Tax considerations
- Recommended asset allocation/asset class guidelines
- Limitations on investment holdings

Sources of information used to develop investment recommendations may include, but are not limited to, the following:

- Client questionnaire(s) and interview(s)
- Review of client's current portfolio
- Analysis of historical risk/return characteristics of various asset classes
- Analysis of the long-term outlook for global financial markets
- Analysis of the long-term global economic and political environments

***Investment Policy Statement***

Each investment policy statement ("IPS"), if prepared by Savant, will set forth the asset allocation model that Savant and the client have determined to be appropriate. Savant's asset allocation process is typically based on long-term investment time horizons. This is based on Savant's research, which concludes that it is generally not in the investor's best interest to attempt to determine investment security purchase or sale points based on short-term economic information and/or market timing models.

Within the IPS, Savant will provide important information concerning each of the following categories:

- Risk tolerance
- Long-term rate-of-return objective
- Investment time horizon
- Income and liquidity needs
- Tax considerations
- Recommended asset allocation/asset class guidelines
- Frequency of investment policy re-evaluation
- Trading procedures
- Procedures for selecting and monitoring investments
- Fee arrangement
- Custody arrangements
- Description of authority delegated to Savant
- Limitations on investment holdings

Savant and the client will review each client portfolio periodically to determine if risk and return objectives or investment policies need revision. There is no charge for revising an IPS.

#### ***Ongoing monitoring***

Savant will periodically rebalance the client's investment portfolio to conform to the asset allocation/asset class guidelines accepted by the client. Savant, in consultation with the client, will periodically review each client's portfolio to determine whether risk and return objectives and investment policies need revision as a result of changes in the client's financial circumstances. If revision is necessary, then Savant will amend the IPS with the updated information and implement a new model portfolio.

#### ***Sub-Advisors***

From time to time and to the extent permitted in each client's advisory agreement, Savant may engage the services of other independent advisors ("sub-advisors") to provide specialized advisory services. In such cases, Savant may collect certain financial information regarding clients and make that information available to these sub-advisors.

#### **B.1.b. Savant Portfolios Program**

Savant offers portfolio management services under the Savant Portfolios Program. Through this program, clients who would not otherwise meet our Savant Wealth Management Services Program requirements prefer a lower minimum fee are able to benefit from our investment methodology. Although Savant Portfolios clients will utilize the same allocation models, to help control costs, the mix of mutual funds selected for inclusion within these allocation models will be more limited than those used in Savant Wealth Management. In order to provide these services at a cost-effective rate, client support is provided by the Savant



Portfolios' team of advisors, and the number and level of services included is narrower than those provided under the Savant Wealth Management umbrella. Savant Portfolios clients typically do not require the same level of investment complexity due to their current financial needs.

Savant Portfolios is intended to comply with Rule 3a-4 under the Investment Company Act of 1940. Clients' accounts are managed on the basis of their individual financial situations. Each client has the opportunity to select the account's investment objective and to impose reasonable restrictions on the management of the assets in the account. Clients will be contacted annually to determine if there are any changes to their investment goals, objectives, and risk tolerance, and notified quarterly inviting clients to contact Savant for any changes to their investment goals, objectives, and risk tolerance.

Savant's methods of analysis may include quantitative methods for optimizing client portfolios, computer-based risk/return analysis, and statistical and/or computer models utilizing long-term economic criteria. Savant typically recommends to clients the same mutual funds within particular asset classes.

***Critical factors in developing an appropriate allocation of investment assets***

Savant helps the client to determine his or her investment objectives and policies. At Savant's discretion, these objectives may be documented for the client in an investment policy statement ("IPS"). The following are the major factors Savant considers when recommending and implementing investment recommendations:

- Long-term rate-of-return objective
- Risk assessment/tolerance
- Investment time horizon
- Income and liquidity needs
- Recommended asset allocation/asset class guidelines
- Restrictions on management of account

Sources of information used to develop investment recommendations may include, but are not limited to, the following:

- Client questionnaire(s) and interview(s)
- Review of client's current portfolio
- Analysis of historical risk/return characteristics of various asset classes
- Analysis of the long-term outlook for global financial markets
- Analysis of the long-term global economic and political environments

***Investment Policy Statement***

Each investment policy statement ("IPS"), if prepared by Savant, will set forth the asset allocation model that Savant and the client have determined to be appropriate. Savant's asset allocation process is typically based on long-term investment time horizons. This is based on Savant's research, which shows that it is generally not in the investor's best interest to attempt

to determine investment security purchase points based on short-term economic information and/or market timing models.

Within the IPS, Savant will provide important information concerning each of the following categories:

- Risk tolerance
- Long-term rate-of-return objective
- Investment time horizon
- Income and liquidity needs
- Tax considerations
- Recommended asset allocation/asset class guidelines
- Frequency of investment policy re-evaluation
- Trading procedures
- Procedures for selecting and monitoring investments
- Fee arrangement
- Custody arrangements
- Description of authority delegated to Savant
- Limitations on investment holdings

Savant and the client will review each client's portfolio periodically to determine if risk and return objectives or investment policies need revision. There is no charge for revising an IPS.

### ***Ongoing monitoring***

Savant will periodically rebalance the client's investment portfolio to conform to the asset allocation/asset class guidelines accepted by the client. Savant, in consultation with the client, will periodically review each client's portfolio to determine whether risk and return objectives and investment policies need revision as a result of changes in the client's financial circumstances. If revision is necessary, then Savant will amend the IPS with the updated information and implement a new model portfolio.

## **B.2. Financial Planning and Other Consulting Services**

### **B.2.a. Financial Planning Services**

Savant may provide non-discretionary estate, retirement, and/or financial planning advice to non-advisory clients. Advice is based on objectives communicated, either orally or in writing, by the client and/or his or her advisors. Planning advice may be provided through individual consultations and/or a written plan document. A written plan may include but is not limited to the following:

- Stock option analysis
- Insurance planning
- Education funding

- Retirement planning, which may include written estimates of cash flow and/or retirement needs and sources
- Divorce planning
- Estate planning, which may include:
  - A written description of estate and/or life-style objectives
  - An evaluation of current and/or suggested estate ownership structure
  - Diagnostic reports that identify estate ownership alternatives
  - Coordination of estate planning objectives with current/future assets/professional advisors
- A plan for monitoring the implementation of Savant's recommendations

#### **B.2.b. Retirement Plan Consulting Services**

Savant provides Retirement Plan Consulting Services for plan trustees, fiduciaries, and participants in five primary areas. These include:

- Savant Plan Design & Coordination Tools<sup>SM</sup>
  - Plan design
  - Coordination of Specialist Services (i.e., investment advisor and consultant, mutual funds, the custodian, and the record keeper/administrator)
  - Oversight of Specialists
  - Administration Technology
    - Plan
    - Plan Sponsor
- Savant Fiduciary Consulting
  - Development of a fiduciary governance process - Savant will work with the plan sponsor's investment committee. The fiduciary governance process will consist of CEFEX (Center for Fiduciary Excellence) self-governance documentation to allow the committee to follow global standards of fiduciary excellence as an investment steward to the client's plan. Savant will develop and deliver a governance packet to assist plan clients in meeting their fiduciary obligations. CEFEX is an independent global assessment and certification organization. It works closely with investment fiduciaries and industry experts to provide comprehensive assessment programs to improve risk management for institutional and retail investors.
  - Investment policy statement development and maintenance
  - Formalization and maintenance of investment review guidelines
  - Initial and ongoing due diligence
  - Scheduled management discussion meetings
  - Investment and market research
  - Named fiduciary

- Savant Investment Consulting
  - Fund searches
  - Access to institutional funds
  - Monitoring service
  - Annual fund status, analysis, and review report
  - Evaluating new funds
  - Cost oversight
- Savant Participant Success Kit<sup>SM</sup>
- Savant Engaged Participant Education<sup>SM</sup>
  - Group enrollment meetings
  - Written materials
  - One-on-one allocation and fund selection meetings
  - Quarterly investment review and analysis

### **B.3. Electronic Delivery of Documents**

Savant may provide all personal financial information, including statements, electronically through access to the advisor's website. Electronic delivery is required for the Savant Portfolios clients. This may include the client's quarterly invoice detailing the calculation of fees, any notices, and other communications or disclosures, including Savant's annual offer of the Form ADV Part II. The client must provide a valid email address for this purpose.

Clients can request delivery of their Savant Portfolios quarterly reports on paper for a fee of \$25 per quarter.

## **C. Client-Tailored Services and Client-Imposed Restrictions**

Each client's account will be managed on the basis of the client's financial situation and investment objectives, and in accordance with any reasonable restrictions imposed by the client on the management of the account.

## **D. Wrap Fee Programs**

Savant does not participate in wrap fee programs. (Wrap fee programs offer services for one all-inclusive fee.)

## **E. Client Assets Under Management**

As of September 30, 2011. Savant manages \$1,850,298,745 of discretionary assets and \$44,968,254 of non-discretionary assets.

## Item 5. Fees and Compensation

### A. Methods of Compensation and Fee Schedule

#### A.1. Asset Management Program Fees

##### A.1.a. Advisory Fees for the Savant Wealth Management Services Program

Savant's fee for managing client portfolios is based on a percentage of the client's total assets under management. This fee is payable, in advance, on a quarterly basis. Advisory fees are based on account values as of the end of the previous quarter. Fees are also calculated on a prorated basis for deposits received during the current quarter.

Savant is compensated solely by the client pursuant to the following schedule:

##### *Savant Wealth Management Program*

<u>Market Value of Client Assets</u>	<u>Annual Fee</u>
From \$500,000 to \$1,000,000	1.0%
Next \$4,000,000	0.8%
Next \$10,000,000	0.6%
Above \$15,000,000	0.5%
Minimum Annual Fee	\$5,000

Savant has established a minimum fee of \$5,000 per account. As such, Savant's services are designed for the investor with a minimum of \$500,000 of liquid assets. Clients with less than \$500,000 in marketable assets may wish to consider Savant Portfolios.

In addition to Savant's fees, sub-advisors may charge their own fees as set forth in each client's investment advisory agreement, as amended from time to time. The fee schedule is subject to change upon prior written notice to account holders. Fees may be higher or lower than those charged by other advisors, and clients may be able to obtain similar services elsewhere for a lower fee.

##### A.1.b. Advisory Fees for the Savant Portfolios Program

Savant's fee for managing the client portfolio is based on a percentage of the client's total assets under management. This fee is payable, in advance, on a quarterly basis. Advisory fees are based on account values as of the end of the previous quarter. Fees are also calculated on a prorated basis for deposits received during the current quarter.

Savant is compensated solely by the client pursuant to the following schedule:

*Savant Portfolios Program*

<u>Market Value of Client Assets</u>	<u>Annual Fee</u>
From \$0–\$250,000	1.50%
Next \$250,000	1.25%
Above \$500,000	1.00%
Minimum Annual Fee	\$900

Savant requires a minimum fee of \$900 per account. As such, Savant's services are designed for the investor with a minimum of \$60,000 of liquid assets. Clients with less than \$60,000 in liquid assets may be able to find similar services at prices more favorable than those charged by Savant.

**A.1.c. Additional Terms for All Savant Client Accounts**

Savant retains the right to waive or negotiate fees in certain circumstances and to modify the above fee schedules prior to performing services.

The client agrees to reimburse Savant for any other expenses incurred by Savant while implementing agreed-upon services. These expenses may include, but are not limited to, investment sponsor management fees, trustee fees, and pension administration expenses. Savant receives *no* compensation, commissions, remuneration, or referral fees from investment sponsors or executing brokers for any of these expenses.

Payment of fees, other than those remitted to Savant from the custodian, are due and payable within ten (10) days of the client's receipt of the bill for services. Savant, at its discretion, may charge simple interest at the rate of 18% per year (1.5% monthly) on bills not paid within ten (10) days. This interest charge is called a "finance charge." A client's failure to pay for services rendered terminates Savant's obligation to provide advisory and/or other services.

**A.2. Fees for Financial Planning**

The fee for financial planning will be based on the size, scope, and nature of each individual project, and will be determined prior to the commencement of the engagement. The typical fixed base services may range in cost from \$250 to \$5,000.

The client and Savant typically agree that the project will be billed upon completion of the project, and that the relationship will end at the time of project delivery.

**A.3. Fees for Retirement Plan Consulting**

Savant charges an annual retainer fee based on the following fee schedule:

<u>Plan Assets</u>	<u>Annual Fee</u>
From \$0 to \$1MM in plan assets	1.0% of plan assets
Next \$14MM in plan assets	0.6% of plan assets
Over \$15MM in plan assets	0.5% of plan assets

Fees are payable quarterly, in advance, and are based on ending asset values from the previous quarter. The fee covers all of the above-referenced consulting and management services.

This is the only fee Savant will receive. The fee compensates Savant for all consulting, investment advisory, fiduciary, and participant education services.

**B. Client Payment of Fees**

Savant will deduct advisory and custodial fees directly from the client's account provided that (i) the client provides written authorization, and (ii) the qualified custodian sends the client a statement, at least quarterly, indicating all amounts disbursed from the account.

The client is responsible for verifying the accuracy of the fee calculation, as the client's custodian will not verify the calculation. See also Item 13.C

**C. Additional Client Fees Charged**

The fees charged by Savant do not include fees charged by any mutual fund or custodian. The management fees for mutual funds are disclosed in each mutual fund's prospectus. Clients are advised to read these materials carefully before investing.

The client is responsible for paying custodial and trustee fees and any securities transaction fees billed by the client's custodian or broker. The fees are typically deducted from client accounts on a quarterly or more frequent basis. The client is also responsible for reimbursing Savant for any custodial, trust, or securities transactions fees incurred by the client's account that are billed directly to Savant, including additional fees incurred by Savant when the client directs Savant to purchase or sell a security outside the regular trading schedule. An agreement may be terminated by either party upon 30 days written notice to the other party.

Fees charged by Savant do not include any fees charged by a broker-dealer or custodian, attorneys, accountants, or other agents retained by a client to implement Savant's advice or to otherwise hold the client's portfolio securities.

#### **D. Prepayment of Client Fees**

Savant requires the prepayment of fees for its asset management services only. Savant's fee for managing client portfolios in its asset management programs is based on a percentage of the client's total assets under management. This fee is payable, in advance, on a quarterly basis. Advisory fees are based on account values as of the end of the previous quarter. Fees are also calculated on a prorated basis for deposits received during the current quarter. Asset management clients may terminate an advisory agreement in writing within ninety (90) calendar days of the date of execution of the agreement and are entitled to a full refund of all fees paid in advance, but not yet earned, excluding custodial and transaction fees charged by third-party custodians or brokerage firms. Thereafter, an advisory agreement may be terminated by either party upon thirty (30) days' written notice. Unearned quarterly fees will be refunded to the client pro rata on the basis of the days remaining in the calendar quarter. Any refunds due will be paid within sixty (60) days of the date of termination.

#### **E. External Compensation for the Sale of Securities to Clients**

Savant financial advisors are compensated solely through a salary and bonus structure. Savant financial advisors are not paid any sales, service, or administrative fees for the sale of mutual funds or any other investment products.



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

Savant does not charge performance-based fees and therefore has no economic incentive to manage clients' portfolios in any way other than what is in their best interests.

## Item 7. Types of Clients

Savant offers its investment services to various types of clients, including high-net-worth individuals, trusts, corporations, banks and thrift institutions, non-profit organizations such as foundations, endowments and charitable entities, Taft-Hartley governed entities, and pension plans. Although Savant provides investment services to the various types of clients mentioned, the asset management services are conditioned upon meeting certain minimum criteria established by Savant for each of the investment programs it offers.

Savant offers two asset management programs:

- **Savant Wealth Management Services Program** There is a minimum account size of \$500,000 with a minimum annual fee of \$5,000. For accounts with a value less than \$500,000, clients may be able to find comparable services at more favorable pricing elsewhere.
- **Savant Portfolios Program** Although Savant does not have a minimum account size for this program, it does have a minimum annual fee of \$900, which equates to a minimum account size of \$60,000. For accounts with a value less than \$60,000, clients may be able to find comparable services at more favorable pricing elsewhere.

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

### **A. Methods of Analysis and Investment Strategies**

Savant employs the use of an investment committee that comprises certain members of the senior management team and certain members of the research and trading teams. The investment committee is responsible for identifying and implementing the methods of analysis used by Savant in formulating investment strategies and model portfolios. The methods of analysis may include quantitative methods for optimizing client portfolios, computer-based risk/return analysis, and statistical and/or computer models utilizing long-term economic criteria. Savant's investment committee may employ outside vendors or utilize third-party software to assist in formulating investment recommendations to clients.

#### **A.1. Mutual Funds, Exchange-Traded Funds, Individual Equity and Fixed Income Securities**

A description of the criteria to be used in formulating an investment recommendation for mutual funds, exchange-traded funds, and individual securities (including fixed income securities) is set forth below.

Savant has formed a relationship with a third-party vendor that provides a technological platform for separate account management.

Savant may utilize additional independent third parties to assist it in recommending and monitoring individual securities, mutual funds, and exchange-traded funds to clients as appropriate under the circumstances.

Savant reviews certain quantitative and qualitative criteria related to funds and to formulate investment recommendations to its clients. Quantitative criteria may include:

- the performance history of a fund evaluated against that of its peers and other benchmarks
- an analysis of risk-adjusted returns
- an analysis of the fund manager's contribution to the investment return (e.g., manager's alpha), standard deviation of returns over specific time periods, sector and style analysis
- the fund's fee structure
- the relevant portfolio manager's tenure

Qualitative criteria used in recommending funds include the investment objectives and/or management style and philosophy of a fund, a fund's consistency of investment style, and employee turnover and efficiency and capacity. Savant will discuss relevant quantitative and qualitative factors pertaining to its recommendations with the client prior to the client's determination to purchase or sell a fund.

Quantitative and qualitative criteria related to funds are reviewed by Savant on a quarterly basis or such other interval as determined by the investment committee. In addition, funds are reviewed to determine the extent to which their investments reflect efforts to time the market,

or to evidence style drift such that their portfolios no longer accurately reflect the particular asset category attributed to the fund by Savant (both of which are negative factors in implementing an asset allocation structure). Based on its review, Savant's investment committee will determine the recommendations made to clients regarding the retention or discharge of a fund.

## **A.2. Material Risks of Investment Instruments**

The investment vehicles most commonly purchased for Savant clients are shares of registered open-end mutual funds, exchange-traded funds, and individual equity and fixed income securities. Many of these investments can be purchased directly by clients without utilizing the services of an advisor. Mutual funds and exchange traded funds have embedded management fee and trading expenses. These fees and expenses are detailed in each respective fund's prospectus. Savant charges an additional fee for the management of these funds.

Savant may effect transactions for clients in the following types of securities:

- Equity securities
- Warrants and rights
- Mutual fund securities
- Exchange-traded funds
- Corporate debt securities, commercial paper, and certificates of deposit
- Municipal securities
- U.S. government securities

### **A.2.a. Equity Securities**

Investing in individual companies involves inherent risk. The major risks relate to the company's capitalization, quality of the company's management, quality and cost of the company's services, the company's ability to manage costs, efficiencies in the manufacturing or service delivery process, management of litigation risk, the company's ability to create shareholder value (i.e., increase the value of the company's stock price), exposure to government taxation, and domestic political risk. Foreign securities, in addition to the general risks of equity securities, have geopolitical risk, financial transparency risk, currency risk, regulatory risk, and liquidity risk.

### **A.2.b. Warrants and Rights**

Savant may invest in warrants and rights. Warrants are securities, typically issued with preferred stock or bonds that give the holder the right to purchase a given number of shares of common stock at a specified price and time. The price of the warrant usually represents a premium over the applicable market value of the common stock at the time of the warrant's issuance. Warrants have no voting rights with respect to the common stock, receive no dividends, and have no rights with respect to the assets of the issuer.

Investments in warrants and rights involve certain risks, including the possible lack of a liquid market for the resale of the warrants and rights, potential price fluctuations due to adverse

market conditions or other factors, and failure of the price of the common stock to rise. If the warrant is not exercised within the specified time period, it becomes valueless.

#### **A.2.c. Mutual Fund Securities**

Investing in mutual funds carries inherent risk. The major risks of investing in a mutual fund include the quality and experience of the portfolio management team and its ability to create fund value by investing in securities that have positive growth, the amount of individual company diversification, the type and amount of industry diversification, and the type and amount of sector diversification within specific industries. In addition, mutual funds tend to be tax inefficient and therefore investors may pay capital gains taxes on fund investments while not having yet sold the fund. Savant favors index and tax managed mutual funds which tend to be more tax efficient than most actively managed mutual funds.

#### **A.2.d. Exchange-Traded Funds (ETFs)**

Savant may invest in ETFs (which may, in turn, invest in equities, bonds, and other financial vehicles). ETFs are investment companies whose shares are bought and sold on a securities exchange. An ETF holds a portfolio of securities designed to track a particular market segment or index. Some examples of ETFs are SPDRs<sup>®</sup>, streetTRACKS<sup>®</sup>, DIAMONDS<sup>SM</sup>, NASDAQ 100 Index Tracking Stock<sup>SM</sup> ("QQQs<sup>SM</sup>"), iShares<sup>®</sup> and VIPERs<sup>®</sup>. The funds could purchase an ETF to gain exposure to a portion of the U.S. or foreign market. The funds, as a shareholder of another investment company, will bear their pro rata portion of the other investment company's advisory fee and other expenses, in addition to their own expenses.

Investing in ETFs involves risk. Specifically, ETFs, depending on the underlying portfolio and its size, can have wide price (bid and ask) spreads, thus diluting or negating any upward price movement of the ETF or enhancing any downward price movement. Also, ETFs require more frequent portfolio reporting by regulators and are thereby more susceptible to actions by hedge funds that could have a negative impact on the price of the ETF. Certain ETFs may employ leverage, which creates additional volatility and price risk depending on the amount of leverage utilized, the collateral, and the liquidity of the supporting collateral.

Further, the use of leverage (i.e., employing the use of margin) generally results in additional interest costs to the ETF. Certain ETFs are highly leveraged and therefore have additional volatility and liquidity risk. Volatility and liquidity can severely and negatively impact the price of the ETF's underlying portfolio securities, thereby causing significant price fluctuations of the ETF.

#### **A.2.e. Corporate Debt, Commercial Paper, and Certificates of Deposit**

Fixed income securities carry different risks than those of equity securities described above. These risks include the company's or the government's ability to retire its debt at maturity, the current interest rate environment, the coupon interest rate promised to bondholders, legal constraints, jurisdictional risk (U.S or foreign), and currency risk. If bonds have maturities of 10 years or greater, they will likely have greater price swings when interest rates move up or

down. The shorter the maturity the less volatile the price swings. Foreign bonds have liquidity and currency risk.

Commercial paper and certificates of deposit are generally considered safe instruments, although they are subject to the level of general interest rates, the credit quality of the issuing bank, and the length of maturity. With respect to certificates of deposit, depending on the length of maturity there can be prepayment penalties if the client needs to convert the certificate of deposit to cash prior to maturity.

#### **A.2.f. Municipal Securities**

Municipal securities carry different risks than those of corporate government and bank-sponsored debt securities described above. These risks include the municipality's ability to raise additional tax revenue or other revenue (in the event the bonds are revenue bonds) to pay interest on its debt and to retire its debt at maturity. Municipal bonds are generally tax-free at the federal level, but may be taxable in individual states other than the state in which both the investor and municipal issuer are domiciled.

#### **A.2.g. U.S. Government Securities**

Savant may invest in U.S. government securities. U.S. government securities include securities issued by the U.S. Treasury and by U.S. government agencies and instrumentalities. U.S. government securities may be supported by the full faith and credit of the United States.

## **B. Investment Strategy and Method of Analysis Material Risks**

### **B.1. Separate Account Management Software**

Savant employs software that uses statistical sampling to track an index. This investment solution manages individual U.S. equities with two primary investment objectives: match the return of the U.S. equity benchmarks (minus expenses) and create tax efficiency for the investor. There is a possibility of significant tracking error to the index if the software fails to match the index. Savant mitigates this risk by reviewing and monitoring the results and rebalancing to the index as needed.

### **B.2. Short-Term Trading**

Savant generally does not engage in short selling but reserves the right to do so in the exercise of its sole judgment. Short selling involves the sale of a security that is borrowed rather than owned. When a short sale is effected, the investor is expecting the price of the security to decline in value so that a purchase or closeout of the short sale can be effected at a significantly lower price. The primary risks of effecting short sales are the availability to borrow the stock, the unlimited potential for loss, and the requirement to fund any difference between the short credit balance and the market value of the security.

### **C. Concentration Risks**

Although Savant invests in a diversified portfolio of mutual funds, exchange traded funds, equity and fixed income securities, for clients who choose to have their investment portfolios heavily weighted in one security, one industry or industry sector, one geographic location, one investment manager, or one type of investment instrument (equities versus fixed income) they will experience greater risk and volatility in their portfolios. Clients who have diversified portfolios, as a general rule, incur less volatility and therefore less fluctuation in portfolio value than those who have concentrated holdings. Concentrated holdings may offer the potential for higher gain, but also offer the potential for significant loss.

## **Item 9. Disciplinary Information**

### **A. Criminal or Civil Actions**

There is nothing to report on this item.

### **B. Administrative Enforcement Proceedings**

On August 15, 2006, the Illinois Securities Department initiated an investigation and found that Savant failed to file a completed Form U-4 for one of its professionals and failed to pay the required filing fee. Savant was fined \$10,000 and charged \$1,500 for the cost of the investigation. Savant paid the total amount of \$11,500 on April 21, 2008.

### **C. Self-Regulatory Organization Enforcement Proceedings**

There is nothing to report on this item.



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

### **A. Broker-Dealer or Representative Registration**

Neither Savant nor its affiliates are registered broker-dealers and do not have an application to register pending.

### **B. Futures or Commodity Registration**

Neither Savant nor its affiliates are registered as a commodity firm, futures commission merchant, commodity pool operator, or commodity trading advisor and do not have an application to register pending.

### **C. Material Relationships Maintained by this Advisory Business and Conflicts of Interest**

#### **C.1. Trade Group**

Savant is a member, along with several other registered investment advisers, of the Zero Alpha Group, LLC ("ZAG"). Brent R. Brodeski, Chief Executive Officer of Savant, serves as an officer of ZAG. ZAG members share a common investment philosophy based on the principles of *modern portfolio theory*, which emphasizes passive investment strategy. ZAG members are geographically diverse, and they meet periodically to share investment information, strategic and marketing plans, and research related to passive investment management. ZAG members also may negotiate with mutual fund companies and broker-dealers to obtain lower cost investment products or services on behalf of their clients.

#### **C.2. Sub-Adviser Services**

Savant has contracted with BAM Advisor Services, LLC ("BAM") for sub-advisory services with respect to certain clients' fixed-income accounts. BAM provides fixed-income portfolio construction, trade processing, collection of management fees, record maintenance, report preparation, marketing assistance and research. For its services, BAM charges a fee based on a percentage of assets being monitored by BAM and shall not exceed, on an annualized basis, 18 basis points. The sub-advisory fee does not include custodial fees or transaction costs charged by the client's custodian and is in addition to fees charged for Savant's services to the client. This fee may be waived in part or in whole by Savant.

#### **C.3. Trust Services**

National Advisors Trust Company, FSB, a national trust company, was created to support the fiduciary needs of clients who, through their estate planning efforts, prefer to continue to maintain their relationship with their financial advisory firm. National Advisors Trust is a wholly owned subsidiary of National Advisors Holdings, Inc. ("NAH"). Savant and approximately 120 other advisory firms located in over 40 states own equity interests in NAH. Savant holds a less

than 1% interest. The mission of National Advisors Trust is to support the delivery of trust and custody services to the clients of its shareholders.

Savant may recommend National Advisory Trust to its advisory clients seeking trust services. The grantor in a trust agreement would name Savant as the investment manager with discretion to manage the trust estate, and the agreement would also provide that National Advisors Trust discharge the administrative, distribution and custodial responsibilities of the trust. Savant, as a shareholder of National Advisors Trust, may benefit by realizing a profit in the form of dividends or corporate distributions from National Advisors Trust, in addition to any investment advisory fees paid under the trust agreement.

## **D. Recommendation or Selection of Other Investment Advisors and Conflicts of Interest**

### **D.1. State Bank Sub-advisor Relationship**

Foresight Financial Group, Inc. ("FFG"), is a publicly traded, registered multi-bank holding company and the parent company of State Bank, an Illinois banking corporation. Certain principals of Savant are individual equity owners of a small percentage of the outstanding shares of FFG.

Savant and FFG have entered into an agreement pursuant to which Savant may recommend to its clients State Bank's trust, custodial, and other banking services, and where State Bank employs Savant as a sub-advisor for trust accounts that State Bank has investment management responsibility. Savant has an economic interest to refer clients to State Bank for State Bank's trust, custodial, and other banking services because Savant is paid for Investment Management services. Compensation arrangements for sub-advisor services vary depending on whether or not Savant referred the client to State Bank and the ongoing involvement that Savant has in the relationship.

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

### **A. Code of Ethics Description**

In accordance with the Advisers Act, Savant has adopted policies and procedures designed to detect and prevent insider trading. In addition, Savant has adopted a Code of Ethics (the "Code"). The Code includes written procedures governing the conduct of Savant's advisory and access persons. The Code also imposes certain reporting obligations on persons subject to the Code. The Code and applicable securities transactions are monitored by the Chief Compliance Officer of Savant. Savant will send clients a copy of its Code of Ethics upon written request.

Savant has policies and procedures in place to ensure that the interests of its clients are given preference over those of Savant, its affiliates, and its employees. For example, there are policies in place to prevent the misappropriation of material non-public information, and such other policies and procedures reasonably designed to comply with federal and state securities laws.

### **B. Investment Recommendations Involving a Material Financial Interest and Conflicts of Interest**

Savant does not engage in principal trading (i.e., the practice of selling stock to advisory clients from a firm's inventory or buying stocks from advisory clients into a firm's inventory). In addition, Savant does not recommend any securities to advisory clients in which it has some proprietary or ownership interest.

### **C. Advisory Firm Purchase of Same Securities Recommended to Clients and Conflicts of Interest**

Savant, its affiliates, employees and their families, trusts, estates, charitable organizations, and retirement plans established by it may purchase the same securities as are purchased for clients. They also may effect securities transactions for their own accounts that differ from those recommended or effected for other Savant clients. Savant will make a reasonable attempt to trade securities in client accounts at or prior to trading the securities in its affiliate, corporate, employee, or employee-related accounts. Trades executed the same day will likely be subject to an average pricing calculation (please refer to Item 12.B.5. Order Aggregation). It is the policy of Savant to place the clients' interests above those of Savant and its employees.

### **D. Client Securities Recommendations or Trades and Concurrent Advisory Firm Securities Transactions and Conflicts of Interest**

Savant, its affiliates, employees and their families, trusts, estates, charitable organizations, and retirement plans established by it may effect securities transactions for their own accounts that differ from those recommended or effected for other Savant clients. Savant will make a reasonable attempt to trade securities in client accounts at or prior to trading the securities in its

affiliate, corporate, employee, or employee-related accounts. Trades executed the same day will likely be subject to an average pricing calculation. It is the policy of Savant to place the clients' interests above those of Savant and its employees.

## Item 12. Brokerage Practices

### A. Factors Used to Select Broker-Dealers for Client Transactions

Savant participates in the institutional customer programs offered by the Schwab Advisor Services division of Charles Schwab & Co., Inc. ("Schwab") member FINRA/SIPC; TD Ameritrade Institutional ("TDA"), a division of TD Ameritrade, Inc. ("TD Ameritrade") member FINRA/SIPC/NFA; and Fidelity Institutional Wealth Services ("IWS") member FINRA/SIPC. TDA, Schwab, and Fidelity are all independent, unaffiliated SEC-registered broker-dealers. Through these programs, TDA, Schwab, and Fidelity offer various services to independent investment advisors, including custody of securities, trade execution, and clearance and settlement of transactions. Savant and Savant clients receive some benefits from TDA, Schwab, and Fidelity through its participation in these programs. (Please see the disclosure below.)

In certain instances and subject to approval by Savant, Savant will recommend to clients certain other broker-dealers and/or custodians based on the needs of the individual client, taking into consideration the nature of the services required, the experience of the broker-dealer or custodian, the cost and quality of the services, and the reputation of the broker-dealer or custodian. The client recognizes that broker-dealers and/or custodians have different cost and fee structures and trade execution capabilities. As a result, there may be disparities with respect to the cost of services and/or the transaction prices for securities transactions executed on behalf of the client. These differences are disclosed to advisory clients.

#### A.1. Institutional Trading and Custody Services

Such custodians provide Savant with access to their institutional trading and custody services, which are typically not available to the custodian's retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a certain minimum amount of the advisor's clients' assets are maintained in accounts at a particular custodian. These services are not contingent upon Savant committing to a custodian any specific amount of business (assets in custody or trading commissions). The custodian's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

Savant investment advisory clients generally pay the custodian a flat fee for custody services and some trading costs. The custodian may also be compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through the custodian or that settle into the custodian's accounts. Depending on the size of a client account and the actual amount of trading effected, clients who pay the flat fee may be paying more than they would otherwise pay for the same amount of trading if charged a transaction-based or asset-based fee. Savant provides guidance so that client costs may be minimized.

## **B. Trading Practices**

### **B.1. Best Execution**

Savant may recommend or require that clients establish brokerage accounts with a qualified custodian to maintain custody of clients' assets and to effect trades for their accounts. Such accounts will be prime broker eligible so that if and when the need arises to effect securities transactions at broker-dealers ("executing brokers") other than with the client's custodian, such custodian will accept delivery or deliver the applicable security from/to the executing broker. The custodian charges a "trade away" fee (trade effected at another broker), which is charged against the client account for each trade away occurrence. Other custodians have their own policies concerning prime broker accounts and trade away fees. Clients should consult their current custodian for policies and fees or they can always ask their Savant advisor for a description of costs. .

Savant, pursuant to the terms of its investment advisory agreement with clients, has discretionary authority to determine which securities are to be bought and sold, the executing broker, and the commission rates to be paid to effect such transactions. Savant recognizes that the analysis of execution quality involves a number of factors, both qualitative and quantitative. Savant will follow a process in an attempt to ensure that it is seeking to obtain the most favorable execution under the prevailing circumstances when placing client orders. These factors include but are not limited to the following:

- The financial strength, reputation, and stability of the broker
- The efficiency with which the transaction is effected
- The ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any) or zero on mutual funds
- The availability of the broker to stand ready to effect transactions of varying degrees of difficulty in the future
- The efficiency of error resolution, clearance, and settlement
- Block trading and positioning capabilities
- Performance measurement
- Online access to computerized data regarding customer accounts
- Availability, comprehensiveness, and frequency of brokerage and research services
- Commission rates
- The economic benefit to the client
- Related matters involved in the receipt of brokerage services

Consistent with its fiduciary responsibilities, Savant seeks to ensure that clients receive best execution with respect to their transactions in mutual fund shares by blocking client trades to reduce transaction costs. To the best of Savant's knowledge, these custodians provide high-quality mutual fund execution, and Savant's clients do not pay higher transaction costs in return for such execution.

Commission rates and securities transaction fees charged to effect such transactions are established by the client's independent custodian and/or broker-dealer. Based upon its own knowledge of the securities industry, Savant believes that such commission rates are competitive within the securities industry. Lower commissions or better execution may be able to be achieved elsewhere.

## **B.2. Directed Brokerage**

### **B.2.a. Savant Recommendations**

Savant typically recommends TDA, Schwab, or Fidelity as custodian for clients' funds and securities and to execute securities transactions on its clients' behalf. However, for Savant Portfolios clients, Savant will only utilize TDA as the client's independent custodian in order to streamline procedures and gain operational efficiencies for the clients' benefit.

### **B.2.b. Client-Directed Brokerage**

Occasionally, clients may direct Savant to use a particular broker-dealer to execute portfolio transactions for their accounts or request that certain types of securities not be purchased for their accounts. Clients who designate the use of a particular broker-dealer should be aware that they will lose any possible advantage Savant derives from aggregating transactions. Such client trades are typically effected after the trades of clients who have not directed the use of a particular broker-dealer.

## **B.3. Security Allocation**

Since Savant may be managing accounts with similar investment objectives, Savant may aggregate orders for securities for such accounts. In such event, allocation of the securities so purchased or sold, as well as expenses incurred in the transaction, is made by Savant in the manner it considers to be the most equitable and consistent with its fiduciary obligations to such accounts.

Savant's allocation procedures seek to allocate investment opportunities among clients in the fairest possible way, taking into account the clients' best interests. Savant will follow procedures to ensure that allocations do not involve a practice of favoring or discriminating against any client or group of clients. Account performance is never a factor in trade allocations.

Savant's advice to certain clients and entities and the action of Savant for those and other clients are frequently premised not only on the merits of a particular investment but also on the suitability of that investment for the particular client in light of his or her applicable investment objectives, guidelines, and circumstances. Thus, any action of Savant with respect to a particular investment may, for a particular client, differ or be opposed to the recommendation, advice, or actions of Savant to or on behalf of other clients.

## **B.4. Trading Frequency**

Savant typically places portfolio transactions once each week on behalf of all clients in order to minimize overall trading costs. At Savant's discretion, trading may also be effected at other

times during the month or week. The occurrence of additional trading depends on the client's selection of custodian, the size and timing of client deposits, and other factors Savant deems important. As a result, clients may incur a delay from the time that cash is deposited and the time that their funds are invested.

#### **B.5. Order Aggregation**

Orders for the same security entered on behalf of more than one client will generally be aggregated (i.e., blocked or bunched) subject to the aggregation being in the best interests of all participating clients. Subsequent orders for the same security entered during the same trading day may be aggregated with any previously unfilled orders. Subsequent orders may also be aggregated with filled orders if the market price for the security has not materially changed and the aggregation does not cause any unintended duration exposure. All clients participating in each aggregated order will receive the average price and, subject to minimum ticket charges and possible step outs, pay a pro rata portion of commissions.

To minimize performance dispersion, "strategy" trades should be aggregated and average priced. However, when a trade is to be executed for an individual account and the trade is not in the best interests of other accounts, then the trade will only be performed for that account. This is true even if Savant believes that a larger size block trade would lead to best overall price for the security being transacted.

#### **B.6. Allocation of Trades**

All trade allocations will be made prior to the close of business on the trade date. In the event an order is "partially filled," the allocation will be made in the best interests of all the clients in the order, taking into account all relevant factors including, but not limited to, the size of each client's allocation, clients' liquidity needs, and previous allocations. In most cases, accounts will get a pro forma allocation based on the initial allocation. This policy also applies if an order is "over-filled."

Savant acts in accordance with its duty to seek best price and execution and will not continue any arrangements if Savant determines that such arrangements are no longer in the best interest of its clients.

#### **B.7. Soft Dollar Arrangements**

Savant does not utilize soft dollar arrangements. Savant does not direct brokerage transactions to executing brokers for research and brokerage services.

#### **B.8. Brokerage for Client Referrals**

Savant does not engage in the practice of directing brokerage commissions in exchange for the referral of advisory clients.



### **B.9. Trading Errors**

In the event of a trading error, Savant's policy is to put the portfolio in the same position as if the error had not occurred. If the error is the responsibility of Savant, the client transaction(s) will be corrected and Savant will reimburse the client for losses resulting from correcting the error. The custodian may determine how reimbursement for any losses are handled. In addition, Savant will also reimburse the client for expenses incurred by the client as a result of the error (i.e., wire transfer fee, overdraft charge).

The treatment of any gains resulting from error corrections is dependent on which custodian is processing the trade. For Schwab accounts, any gain generated in the correction of a trade error is retained by Schwab and donated to charity.

Trading errors occurring in TD Ameritrade accounts are processed through Savant's Errors and Omissions account. A gain resulting from the correction of a trade error will be retained in the Errors and Omissions account and used to offset losses.

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

### **A. Schedule for Periodic Review of Client Accounts or Financial Plans and Advisory Persons Involved**

Savant, at its discretion, may prepare a customized written investment policy statement ("IPS") for the client. Each client account is reviewed periodically, as clients request, or as specified in the client's IPS. Reviews include an inspection of portfolio holdings, change in account values, and actual allocation of the account as compared to the recommended allocation. Reviews may be conducted by any of Savant's financial advisors.

#### ***Quarterly***

The investment research team will review at least quarterly:

- Compliance of portfolios with investment policy and philosophy
- Performance of funds in models relative to benchmarks
- Performance of funds vs. peer groups
- Qualitative and quantitative factors described in *Savant Investment Policy Manual - Fund Selection Process*, including a fiduciary review

The investment research team will present to the committee a quarterly "Fiduciary Review." It will include details regarding the risk/return and investment expense profiles for the preceding 90-day period.

A designated representative of the investment services department will report to the investment committee at least quarterly or as deemed necessary. The report will encompass the qualifications and status of the current custodians, internal trading process, internal transfer process, and state of the portfolio accounting system.

***Annually***

The investment research team will review at least annually:

- Investment management companies that manage funds in the portfolio
- Proxy-voting policy at Savant and investment management companies
- The mix of assets
- The investment universe to ensure the best funds that meet Savant's selection criteria are utilized in portfolio construction

No Savant employee is permitted to modify the investment program except as provided by investment committee resolutions.

**B. Review of Client Accounts on Non-Periodic Basis**

Savant may perform *ad hoc* reviews on an as-needed basis if there have been material changes in the client's investment objectives, risk tolerance, at client's request, or if there has been a material change in how Savant formulates investment advice.

**C. Content of Client-Provided Reports and Frequency**

Savant typically provides written reports to clients on a quarterly basis. These reports include

- changes in market values
- current and historical time-weighted performance statistics
- comparison to an appropriate benchmark index
- disclosure of all fees billed to the client's account by Savant

The client's independent custodian provides regular account statements directly to the client. The custodian's statement is the official record of the client's securities account and supersedes any statements or reports created on behalf of the client by Savant. Clients are encouraged to cross reference security holdings as shown on Savant reports with the custodian's statement for the same period.

## Item 14. Client Referrals and Other Compensation

### A. Economic Benefits Provided to the Advisory Firm from External Sources and Conflicts of Interest

#### A.1. Other Products and Services

Custodians also make available to Savant other products and services that benefit Savant but may not directly benefit all of Savant's clients' accounts. Many of these products and services may be used to service all or some substantial number of Savant's accounts, including accounts not maintained at such custodians. Some of these other products and services assist Savant 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, securities pricing information, and other market data
- facilitate payment of Savant's fees from its clients' accounts
- assist with back-office functions, recordkeeping, and client reporting

Many of these services may generally be used to service all or a substantial number of Savant's accounts, including accounts not maintained at such custodians. These custodians also make available to Savant other services intended to help Savant manage and further develop its business enterprise and client relationships. These services may include

- consulting
- publications and conferences on practice management
- information technology
- business succession
- regulatory compliance
- marketing

#### A.2. Independent Third Parties

Custodians may make available, arrange, and/or pay for these types of services rendered to Savant by independent third parties. These custodians may discount or waive fees they would otherwise charge for some of these services, or pay all or a part of the fees of a third party providing these services to Savant. As a fiduciary, Savant endeavors to act in its clients' best interests. Savant's recommendation that clients maintain their assets in accounts at one of these custodians may be based in part on the benefit to Savant of the availability of some of the foregoing products and services, and not solely on the nature, cost, or quality of custody and brokerage services provided by these various custodians, which may create a potential conflict of interest.

**A.3. Additional Compensation Received from Custodians**

As described in Items 12, Savant participates in institutional customer programs sponsored by TDA, Schwab, and Fidelity. Savant may recommend these brokers to clients for custody and brokerage services. There is no direct link between Savant's participation in such programs and the investment advice it gives to its clients, although Savant receives economic benefits through its participation in the programs that are typically not available to retail investors or other institutional advisors. These benefits may include the following products and services (provided without cost or at a discount):

- Receipt of duplicate client statements and confirmations
- Research-related products and tools
- Consulting services
- Access to a trading desk serving Savant clients
- Access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts)
- The ability to have advisory fees deducted directly from client accounts
- Access to an electronic communications network for client order entry and account information
- Access to mutual funds with no transaction fees and to certain institutional money managers which may result in lower client expenses
- Discounts on compliance, marketing, research, technology, and practice management products or services provided to Savant by third-party vendors

TDA, Schwab, and Fidelity may also pay for business consulting and professional services received by Savant's related persons, and may pay or reimburse expenses (including travel, lodging, meals, and entertainment expenses for Savant's personnel to attend conferences). Some of the products and services made available by these entities through their institutional customer programs may benefit Savant but may not benefit all or any of its client accounts. These products or services may assist Savant in managing and administering client accounts, including accounts not maintained at TDA, Schwab, or Fidelity as applicable. Other services made available through the programs are intended to help Savant manage and further develop its business enterprise and client relationships. The benefits received by Savant or its personnel through participation in these programs do not depend on the amount of brokerage transactions directed to the broker-dealer.

Savant also participates in similar institutional advisor programs offered by other independent broker-dealers or trust companies, including Schwab and Fidelity, and its continued participation may require Savant to maintain a predetermined level of assets at such firms. In connection with its participation in such programs, Savant will typically receive benefits similar to those listed above, including research, payments for business consulting, and professional services received by Savant's related persons, and reimbursement of expenses (including travel, lodging, meals, and entertainment expenses for Savant's personnel to attend conferences sponsored by the broker-dealer or trust company).

As part of its fiduciary duties to clients, Savant endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by Savant or its related persons in and of itself creates a potential conflict of interest and may or may not, directly or indirectly, influence Savant's recommendation of broker-dealers such as TDA, Schwab, and Fidelity for custody and brokerage services.

#### **A.4. Additional Services**

Savant also receives from TDA certain additional economic benefits ("additional services") that may or may not be offered to any other independent investment advisors participating in the program. Specifically, the additional services include payments for annual fees for Advent Axys, ByAllAccounts, Morningstar Direct, Morningstar Encor, Hub Data, BNA Software, and Tamarac. TDA provides the additional services to Savant in its sole discretion and at its own expense, and Savant does not pay any fees to TDA for the additional services. Savant and TDA have entered into a separate agreement (Additional Services Addendum) to govern the terms of the provision of the additional services.

Savant's receipt of additional services raises potential conflicts of interest. In providing additional services or pricing of services to Savant, TDA most likely considers the amount and profitability to TDA of the assets in, and trades placed for, Savant's client accounts maintained with TDA. Both Savant and TDA have the right to terminate the Additional Services Addendum with Savant at their own individual discretion, provided certain conditions are met. Consequently, in order to continue to obtain the additional services from TDA, Savant may have an incentive to recommend to its clients that the assets under management by Savant be held in custody with TDA and to place transactions for client accounts with TDA. Savant's receipt of additional services does not diminish its duty to act in the best interests of its clients, including to seek best execution of trades for client accounts.

#### **A.5. TDA's iRebal**

In addition to the above, TDA waives its licensing fees for the iRebal Software, a research tool offered by TDA and used by Savant, to the extent that Savant maintains at least \$300 million of client assets at TDA. As a result, Savant has incentive to continue recommending TDA to its clients. Savant presently holds \$1BB in client assets with TDA, well in excess of the minimum required

Savant considers a number of factors in recommending brokers and custodians to clients including, but not limited to, execution capability, experience and financial stability, reputation and the quality of services provided. In selecting TDA as one of the broker-dealers and custodians for certain of its client accounts, Savant takes into consideration its arrangement with TDA to obtain TDA's automatic portfolio rebalancing service for advisors known as "iRebal" at no charge, due to this arrangement with TDA. .

The standard iRebal annual license fee applicable to Savant is \$50,000. That fee is subject to specified reductions (and even complete waiver) if specified amounts of clients' taxable assets are either already on the TDA platform or are committed to be placed on it. Specified taxable

client assets either maintained on or committed to the TDA platform will bring fee reductions of up to \$50,000 per year for five years commencing April 2007.

The non-taxable assets excluded from the maintenance and commitment levels described above are those that constitute "plan assets" of plans subject to Title 1 of the Employee Retirement Income Security Act of 1974, amended, or of plans as defined in Section 4975 of the Internal Revenue Code (which include IRAs).

If Savant does not maintain the relevant level of taxable assets on the TDA platform, Savant may be required to make a fee payment to TDA calculated on the basis of the shortfall.

Although Savant believes that the products and services offered by TDA are competitive in the marketplace for similar services offered by other broker-dealers or custodians, the arrangement with TDA as to the iRebal service may affect Savant's independent judgment in selecting or maintaining TDA as the broker or custodian for client accounts.

#### **A.6. Conflict of Interest – TD Ameritrade**

Mr. Thomas A. Muldowney, Chairman of the Board of Savant, serves on the TDA Institutional Advisory Board. The board consists of approximately 18 to 30 representatives of independent investment advisory firms that, like Savant, have been invited by TDA to participate in meetings and discussions of its services for independent investment advisors and their clients. The board meets in person during the year and has periodic conference calls. The board members are not compensated by TDA for their service, but TDA does pay for or reimburse the board members' expenses for travel, lodging, meals and other incidental expenses incurred in attending board meetings. No other compensation is paid. Members typically serve two-year terms.

David Bogner, Implementation Services Supervisor, serves on the TD Ameritrade Institutional Operations Panel ("Panel") as a representative of Savant. The Panel consists of approximately twenty-four investment advisors that advise TD Ameritrade Institutional ("TDA Institutional") on issues relevant to the independent advisor and their experience with TD Ameritrade's service, technology and products. The Panel meets in person periodically throughout the year and conducts periodic conference calls on an as-needed basis. Investment advisors are appointed to serve on the Panel for a three year term by TDA Institutional sales, service and senior management. An investment advisor may serve longer than three years if appointed to additional terms by TDA Institutional senior management. At times, Panel members are provided confidential information about TDA Institutional initiatives. Panel members are required to sign confidentiality agreements. TD Ameritrade, Inc. ("TD Ameritrade") does not compensate Panel members. However, TD Ameritrade pays or reimburses Savant for the travel, lodging and meal expenses Savant incurs in attending Panel meetings. The benefits received by Savant or its personnel by serving on the Panel do not depend on the amount of brokerage transactions directed to TD Ameritrade. Clients should be aware, however, that the receipt of economic or reimbursement benefits by Savant or its related persons in and of itself creates a potential conflict of interest and may indirectly influence Savant's recommendation of TD Ameritrade for custody and brokerage services.

## **B. Advisory Firm Payments for Client Referrals**

Savant may enter into agreements with solicitors who will refer prospective advisory clients to Savant in return for a portion of the ongoing investment advisory fee. Such arrangements will comply with the cash solicitation requirements of Rule 206(4)-3 under the Investment Advisers Act of 1940. Generally, these requirements require the solicitor to have a written agreement with Savant. The solicitor must provide each client with a disclosure document describing the fees it

receives from Savant, whether those fees represent an increase in fees that Savant would otherwise charge the client, and whether an affiliation exists between Savant and the solicitor.

### **B.1. TD Ameritrade AdvisorDirect Program**

Savant may receive client referrals from TD Ameritrade through its participation in TD Ameritrade AdvisorDirect. In addition to meeting the minimum eligibility criteria for participation in AdvisorDirect, Savant may have been selected to participate in AdvisorDirect based on the amount and profitability to TD Ameritrade of the assets in, and trades placed for, client accounts maintained with TD Ameritrade. TD Ameritrade is a discount broker-dealer independent of and unaffiliated with Savant and there is no employee or agency relationship between them. TD Ameritrade has established AdvisorDirect as a means of referring its brokerage customers and other investors seeking fee-based personal investment management services or financial planning services to independent investment advisors. TD Ameritrade does not supervise Savant and has no responsibility for Savant's management of client portfolios or Savant's other advice or services. Savant pays TD Ameritrade an on-going fee for each successful client referral. This fee is usually a percentage (not to exceed 25%) of the advisory fee that the client pays to Savant ("Solicitation Fee"). Savant will also pay TD Ameritrade the Solicitation Fee on any advisory fees received by Savant from any of a referred client's family members, including a spouse, child or any other immediate family member who resides with the referred client and hired Savant on the recommendation of such referred client. Savant will not charge clients referred through AdvisorDirect any fees or costs higher than its standard fee schedule offered to its clients or otherwise pass Solicitation Fees paid to TD Ameritrade to its clients. For information regarding additional or other fees paid directly or indirectly to TD Ameritrade, please refer to the TD Ameritrade AdvisorDirect Disclosure and Acknowledgement Form.

Savant's participation in AdvisorDirect raises potential conflicts of interest. TD Ameritrade will most likely refer clients through AdvisorDirect to investment advisors that encourage their clients to custody their assets at TD Ameritrade and whose client accounts are profitable to TD Ameritrade. In order to obtain client referrals from TD Ameritrade, Savant may have an incentive to recommend to clients that the assets under management by Savant be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade. Savant has agreed not to solicit clients referred to it through AdvisorDirect to transfer their accounts from

TD Ameritrade or to establish brokerage or custody accounts at other custodians, except when its fiduciary duties require doing so. Savant's participation in AdvisorDirect does not diminish its duty to seek best execution of trades for client accounts.

### **C. Paid Advertising for Client Referrals**

One or more professionals at our firm are profiled in the Paladin Registry ([www.paladinregistry.com](http://www.paladinregistry.com)). Investors use the Registry's online services to learn about financial advisors, to learn how to avoid bad financial advice, to learn how to select quality advisors, to search for financial advisors, and to view advisor documentation. Paladin matches our financial professionals to investors who use the Registry's Self and Custom Search services and its documentation for their credentials, ethics, business practices, and financial services. Our professionals pay fixed monthly dues to be profiled in the Registry and to receive referrals. Paladin uses the dues to provide free information and search services to investors.



## **Item 15. Custody**

It is Savant's policy not to take custody or possession of client funds or securities at any time except to the extent that Savant may deduct fees directly from the client's account.

See also Section 13C.

## **Item 16. Investment Discretion**

Clients may grant a limited power of attorney to Savant with respect to trading activity in their accounts by signing the appropriate custodian limited power of attorney form. In those cases, Savant will exercise full discretion as to the nature and type of securities to be purchased and sold, the amount of securities for such transactions, the amount, if any, of commissions to be paid, and the executing broker to be used. Investment limitations may be designated by the client as outlined in the investment advisory agreement.

## **Item 17. Voting Client Securities**

Unless the client requests otherwise, Savant will be responsible for voting proxies relating to the client's portfolio securities at no additional charge. Savant may vote proxies directly, or may utilize an independent third-party service provider to review proxy solicitations, make voting determinations, and actually vote proxies on behalf of Savant's clients. In case of a conflict between the interests of the client and the service provider, Savant's investment committee will typically decide on how to vote the proxy. In the alternative, Savant may request guidance from the client on how to vote the particular proxy.

Savant has contracted with Broadridge Investor Communications, Inc., for proxy voting services. Broadridge utilizes research recommendations from Glass, Lewis & Co.

A copy of Savant's proxy voting policy (including the Glass, Lewis guidelines) is available upon request without charge. A report of how proxies relating to the securities held in a client's account during the prior year were voted is available upon written request to Savant at its main business address.

## **Item 18. Financial Disclosures**

### **A. Balance Sheet**

Savant requires prepayment of fees for one quarter in advance. The Balance Sheet requirement is not applicable.

### **B. Financial Conditions Reasonably Likely to Impair Advisory Firm's Ability to Meet Commitments to Clients**

Savant does not have any financial issues that would impair its ability to provide services to clients.

### **C. Bankruptcy Petitions During the Past Ten Years**

There is nothing to report on this item.