



Part 2A of Form ADV: *Firm Brochure*

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10.22.13

Form ADV, Part 2: our "Disclosure Brochure" or "Brochure" as required by the Investment Adviser Act of 1940 is a very important document between Clients (you, your) and Sawtooth Asset Management, Inc. (us, we, our). This Brochure provides information about our qualifications and business practices.

This brochure provides information about the qualifications and business practices of Sawtooth Asset Management, Inc. If you have any questions about the contents of this brochure, please contact us at 952-831-0039 or info@sawtootham.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 Sawtooth Asset Management, Inc. also is available on the SEC's website at 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 150506.

We are a registered investment adviser with the Securities and Exchange Commission. Our registration as an Investment Adviser does not imply any level of skill or training. The oral and written communications we provide to you, including this Brochure, is information you use to evaluate us (and other advisors) which are factors in your decision to hire us or to continue to maintain a mutually beneficial relationship.

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Sawtooth Asset Management, Inc.

Item 2 Material Changes

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.

This Brochure provides information about the qualifications and business practices of Sawtooth Asset Management, Inc. (Adviser). Please contact Bradley Pries, President, with any questions about the contents of this Brochure.

The information in this Brochure has not been approved or verified by the U.S. Securities and Exchange Commission or by any State securities authority. Additional information about Adviser is available on the Internet at:

http://www.adviserinfo.sec.gov/IAPD/Content/lapdMain/iapd_SiteMap.aspx

Clients and prospective Clients can search this site by using Advisors unique Identifying number, known as a CRD number. The CRD number for Adviser is 150506.

Change Log

- a. March 20, 2013: Added a more detailed description of Sawtooth's Program platform, specifically with respect to the Program processes. (See Item 4. Managed Account Program)
- b. March 20, 2013: Added an option for monthly billing for Clients that would prefer monthly billing instead of the typical quarterly billing process. (See Item 5. Fees and Compensation)
- c. March 20, 2013: Added a description of "Solicitor Representative as Program Manager," which states that clients may elect to have their assets invested in a proprietary model developed by the Solicitor Representative (See Item 8. Solicitor Representative as Program Manager).
- d. March 20, 2013: Added a description of OPM Services through third party sponsored programs. (See Item 4. OPM Services Through Third Party Sponsored Programs)

- e. March 20, 2013: Added a description of OPM Fees. (See Item 5: OPM Fees)
- f. March 20, 2013: Added a description of Sawtooth's Sub-Advisory Management Services (See Item 4: Sub-Advisory Investment Management Services)
- g. March 20, 2013: Added a description of Sawtooth's Sub-Advisory Management Fees (See Item 5: Sub-Advisory Investment Management Service Fees)

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Item 4 **Advisory Business**

Sawtooth Asset Management, Inc. ("Sawtooth") is a SEC-registered investment adviser with its principal place of business located in Minnesota. Sawtooth began conducting business in 2009.

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

- Bradley Earl Pries, CEO

Additionally, Sawtooth works with Investment Adviser Representatives, Registered Investments Advisers and Broker-Dealers; The relationships are independent of Sawtooth and share no common ownership. These firms are affiliated with Sawtooth in that the owners of these firms may solicit Sawtooth's services to Clients on behalf of Sawtooth or they may act as the representative to the Client on behalf of Sawtooth. Each relationship is documented through an agreement between the firms.

Sawtooth offers the following advisory services to our clients:

INVESTMENT ADVISORY SERVICES

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

Each Client will enter into a written Investment Management Agreement (the "Agreement") with Sawtooth which describes the nature and extent of Sawtooth's services, the terms and conditions applicable to such services, and the fees to be charged. The services, terms, conditions, and fees described in the Agreement may differ from the information in this Brochure. In the event of any difference between the information in this Brochure and the Agreement, the Agreement shall control. Clients will receive a copy of Part 2A of Form ADV from Sawtooth Asset Management prior to the execution of the Agreement.

In addition to the services described below, Sawtooth may, when it deems appropriate, provide other services upon request of a Client. The nature and extent of such services, the terms and conditions applicable to such services, and the fees to be charged will be described in the Agreement.

Managed Account Program

Sawtooth provides discretionary investment advice to individuals mainly through overlay portfolio services known as the Managed Account Program ("Program"). Through the Program, Sawtooth typically seeks to manage all or a portion of a client's account (a "sleeve") according to a model portfolio so that the risk and return characteristics of the account or sleeve tracks, as is reasonably feasible, the risk and return characteristics of such model portfolio. The model portfolio is based on the purchase and sale

recommendations of one or more third party investment managers ("Program Managers") Sawtooth will enter into a model manager agreement with a Program Manager to provide third-party research that may include purchase and sale recommendations in the form of model portfolios to be used in the management of the investments in the Client's account, based on the individual needs and circumstances of each Client. This may include Sawtooth as one of the Program Managers (see *Model Portfolio Management* section below).

At the beginning of the relationship, an authorized Representative of the Sawtooth, either a direct Representative or a Solicitor Representative of an independent investment adviser, a dually registered broker-dealer/investment adviser or a Solicitor firm ("Representative"), will obtain from the Client information regarding the Client's financial situation, investment objectives, financial goals, tolerance for risk, and investment time horizon (all referred to as the Suitability Information), among other information. If the Representative determines it appropriate based upon the individual needs and circumstances of the Client, the Representative will recommend that the Client participate in the Program. Sawtooth will have access to the Client Suitability Information and to any reasonable investment restrictions that the Client imposes on the account.

Clients participating in the Program will establish an account either at TD Ameritrade Institutional (the Custodian), TD Ameritrade Institutional is a division of TD Ameritrade, Inc. member FINRA/SIPC or at Charles Schwab Inc. (the Custodian), an SEC-registered broker-dealer and member of FINRA or at Fidelity Brokerage Services LLC (the Custodian), member FINRA/SIPC or at Interactive Brokers LLC (the Custodian), an SEC-registered broker-dealer and member of FINRA.

Program accounts are managed on a discretionary basis. Account supervision is guided by the Client's stated objectives (i.e., maximum capital appreciation, growth, income, or growth and income), as well as tax considerations. Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors. Because some types of investments involve certain additional degrees of risk, they will only be recommended when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability.

Once the client's portfolio has been established, the portfolio is reviewed at least quarterly, and if necessary, rebalanced on a quarterly or annual basis, based on the client's individual needs.

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

- Exchange-listed securities: Stocks, ETF's
- Foreign issuers
- Corporate debt securities (other than commercial paper)
- Certificates of deposit

- Municipal securities
- Mutual fund shares
- United States governmental securities
- Options contracts on securities
- Third Party Program Managers

Based on the individual needs and circumstances of the Client, Sawtooth, in conjunction with the Representative, will determine the allocation of the account among various investment options and among Program Managers, if deemed appropriate.

On a continuous basis, Sawtooth will monitor the performance of the account, will hire and fire the Program Managers, and allocate and/or reallocate the account among various investment options, according to the individual needs and circumstances of the Client. Sawtooth will have full discretion to allocate and reallocate the account, to increase or decrease the portion of the account allocated to each investment and/or Program Manager, including Sawtooth's own investment strategies, and to hire new Program Managers and fire existing Program Managers. Sawtooth's decisions with respect to the investment options and Program Managers will be based, in part, on Sawtooth's evaluation of the investment styles, strategies, risks, and potential benefits of each investment option and each Program Manager.

Sawtooth will provide advice regarding specific investments for a Program account, and will manage or effect purchases, sales, or other transactions for an account. In addition, Sawtooth will also have the authority and discretion to manage the account in the event a Program Manager ceases to act as manager for the account, in which event Sawtooth shall have authority and discretion to manage account investments not allocated to an existing Program Manager until a new Program Manager is retained or in its entirety in the event no new Program Manager is recommended. In managing the account assets, Sawtooth is specifically permitted to retain all or part of the existing investments or to liquidate such investments, in Sawtooth's discretion.

At or before entering into the Agreement, the Representative will be available to discuss the Manager Disclosure Documents and answer questions the Client may have regarding Program and the Program Managers. Because the Program Managers may change from time to time, Clients and prospective Clients should consult directly with their Representative to discuss the current Program Managers. Certain Program Managers may not be available to all Clients.

Neither Sawtooth nor any of the Program Managers guarantees the future performance of any Program accounts, any specific level of performance, the success of any investment decision or strategy that a Program Manager may recommend, or the success of Sawtooth's or the Program Manager's recommendations in the Program Accounts. The investment and other decisions made by Sawtooth for the Program Accounts are subject

to various market, currency, economic, political and business risks, and that those investment decisions will not always be profitable.

With respect to each Program account:

Sawtooth will manage the account on the basis of the Client's financial situation and investment objectives and any reasonable investment restrictions the Client may impose;

Sawtooth will obtain sufficient client information to be able to provide individualized investment advice to the Client;

At least annually, Sawtooth or the Representative will contact the Client to determine whether there have been any changes in the Client's financial situation or investment objectives and whether the Client wishes to impose investment restrictions or modify existing restrictions;

At least quarterly, Sawtooth will provide a report to the client reflecting all activity in the account during the preceding period, including performance calculations for prior periods, all transactions made on behalf of the account, all contributions and withdrawals, all fees and expenses, and the value of the account at the beginning and end of the period;

Sawtooth will be reasonably available to the Client for consultation; At least quarterly, the Custodian will provide the Client with a statement reflecting all activity in the account during the preceding period, including all transactions made on behalf of the account, all contributions and withdrawals, all fees and expenses, and the value of the account at the beginning and end of the period; and Client will retain, with respect to all securities and funds in the account, to the same extent as if the Client held the securities and funds outside Program, the right to:

- Withdraw securities or cash;
- Vote securities, or delegate the authority to vote securities to another person;
- Be provided in a timely manner with a written confirmation or other notification of each securities transaction, and all other documents required by law to be provided to security holders; and
- Proceed directly as a security holder against the issuer of any security in the Client's account and not be obligated to join any person involved in the operation of the program, or any other client, as a condition precedent to initiating such proceeding.

Model Portfolio Management

Sawtooth also provides continuous portfolio management services to clients using proprietary model portfolios as well as various third party model portfolios. Each model

portfolio is designed to meet a particular investment goal.

Through personal discussions with the Representative and/or the Client in which the client's goals and objectives are established, Sawtooth initially determines whether a model portfolio is suitable to the Client's circumstances. Once Sawtooth confirms suitability, the portfolio is managed based on the portfolio's goal, rather than on each Client's individual needs. Clients, nevertheless, have the opportunity to place reasonable restrictions on the types of investments to be held in their account. Clients retain individual ownership of all securities.

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

Once the Client's portfolio has been established, we review the portfolio quarterly and if necessary, rebalance the portfolio on a quarterly basis, based on the client's individual needs.

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

- Exchange-listed securities
- Foreign issuers
- Corporate debt securities (other than commercial paper)
- Certificates of deposit
- Mutual fund shares
- United States governmental securities
- Options contracts on securities

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

To ensure that Sawtooth's initial determination of an appropriate portfolio remains suitable and that the account continues to be managed in a manner consistent with the client's financial circumstances, Sawtooth will:

- at least annually, contact each participating client to determine whether there have been any changes in the client's financial situation or investment objectives, and whether the client wishes to impose investment restrictions or modify existing restrictions;
- be reasonably available to consult with the client; and
- maintain client suitability information in each client's file.

OPM Services Through Third Party Sponsored Programs

Sawtooth may also provide Overlay Portfolio Management (“OPM”) services for third-party sponsored programs (the “Programs”) sponsored by registered broker-dealer firms, registered investment advisors, banks or trust companies not affiliated with us (the “Sponsor”) through a sub-advisory services agreement. We are not considered the Program Sponsor. The Programs offer portfolio advisory and professionally managed investment account services through intermediary Financial Advisors whose individual and institutional clients open brokerage accounts through the Sponsor and agree to sub-advisory services provided by us. The Sponsor is responsible for identifying and selecting those Strategists and Managers that will participate in the Program. The Sponsor will provide appropriate information to Financial Advisors regarding the investment discipline and/or approach for the Strategists and Managers, and any changes that may occur. The Sponsor is responsible for reviewing the performance of all Strategists and Managers and making recommendations to Financial Advisors with respect to their selection and retention. The Financial Advisor maintains full discretionary authority to hire and fire the Strategists and Managers on behalf of their clients. The Financial Advisor will determine whether the Program and the individual Strategists and Managers are suitable your individual circumstances and needs. With Sponsored Programs you may be required to open a brokerage account with the Sponsor and custodial and transaction clearing services will be provided by the Sponsor as part of the services of the Program. You should carefully review the Sponsor's Disclosure Brochure for more information on its Program.

Financial Planning Services

Certain Representatives provide financial planning services on Sawtooth's behalf. Clients seeking financial planning services will enter into an Agreement which describes the services the Representative will provide on Sawtooth's behalf, and the Fees for such services. In providing financial planning services, the Representative will typically ask the Client to provide detailed information with respect to the Client's personal and family situation, financial condition, investment objectives, risk tolerance, investment time horizon, estate and retirement plans, trust agreements, wills, investment, insurance, personal and family obligations, and other pertinent information. Based on this information, the Representative will prepare a written financial plan which will include recommendations to assist the Client in achieving his or her financial goals and objectives, such as obtaining insurance or revising existing coverage, establishing an individual retirement account, increasing or decreasing funds held in savings accounts, or investing in securities. Financial planning services will usually address a broad range of financial issues. However, when appropriate, the Representative may agree to provide specific, limited financial planning services, such as the following:

PERSONAL: Family records, budgeting, personal liability, home and mortgage planning, estate information and financial goals.

TAX & CASH FLOW: Income tax and spending analysis and planning for past, current and future years. The Representative will illustrate the impact of various investments on a

Client's current income tax and future tax liability.

DEATH & DISABILITY: Cash needs at death, income needs of surviving dependents, estate planning and disability income analysis.

RETIREMENT: Analysis of current strategies and investment plans to help achieve retirement goals.

PUBLIC BENEFITS PLANNING: Analysis of current strategies related to medicare, medicaid and long-term care planning.

INVESTMENTS: Analysis of investment alternatives and their effect on a Client's portfolio.

Clients who receive financial planning services may choose to implement their financial plans by purchasing securities or insurance products offered through a Representative who is also a registered representative of an independent broker-dealer (a "Broker-Dealer") or is an appointed agent of an insurance carrier (an "Insurance-Carrier"). In those circumstances, the Representative will be acting as the Broker- Dealer's representative or the Insurance-Carrier agent, and the Broker-Dealer or Insurance Carrier and the Representative will receive commissions or other compensation (including 12b-1 fees, as described below) as a result of those investments. Consequently, Clients should be aware that in those situations, there exists a conflict between the interests of the Client and the interests of the Representative as a result of the potential additional compensation to be earned if the Client chooses to purchase securities or insurance products. Clients are under no obligation to purchase any products or follow any course of action recommended by a Representative. Sawtooth does not receive commissions.

Each Representative establishes the fee schedule for financial planning services he or she provides. The fee schedule will be provided to the Client before entering into an Agreement. Financial planning services may be charged on an hourly or fixed fee arrangement. Hourly rates vary between \$150 to \$450 per hour. Fees are negotiable and will vary depending upon the particular Representative who provides the services, the complexity of the Client situation and services to be provided, prior or anticipated relationships, as well as the size of the Client's assets, and the possibility for additional business, as determined by the Representative within his or her discretion. All financial planning agreements must be approved by Sawtooth. Similar financial planning services may be available elsewhere at lower cost to the Client.

Financial planning services terminate upon completion of the services described in a financial planning Agreement. A Client may terminate a financial planning Agreement at any time, and will receive a prorated refund of the Fee based on the proportion of the total services that the Representative has performed through the date Sawtooth receives written notice of such termination.

Sub-Advisory Investment Management Services

Sawtooth may provide investment management services to the clients of various RIA's

and Independent Broker/Dealers under a sub-advisory asset management agreement. Under the terms of this agreement, Sawtooth, as Manager, may be appointed to act as investment manager for the accounts of specific clients ("Clients") and assume responsibility for the investment and reinvestment of assets within the client's accounts as well as the provision of quarterly reports summarizing account performance, balances and holdings. Sawtooth will also provide a web based performance reporting tool for those clients that so desire.

Sawtooth would be granted discretionary authority to open securities accounts and to make purchases and sales of securities consistent with each Client's investment objectives, as those objectives are determined to be appropriate by the RIA or the Broker/Dealer. Each RIA or Broker/Dealer Client's portfolio selection will be determined by the client's individual objectives, time horizons, risk tolerance and liquidity needs. Sawtooth's investment recommendations are not limited to any specific product or service offered by a broker/dealer or insurance company and will generally include advice regarding the following securities:

- Exchange-listed securities
- Foreign Issuers
- Corporate Debt Securities (other than commercial paper)
- Mutual Fund Shares
- United States governmental securities
- Options contracts on securities

AMOUNT OF MANAGED ASSETS

As of the date of this filing, Sawtooth has \$689,251,790 in platform assets, which includes providing outsourced back/middle/front office services to investment advisors. In addition, Sawtooth is actively managing \$88,054,987 of these clients' assets on a discretionary basis and \$6,162,846 on a non-discretionary basis.

Item 5 Fees and Compensation

PORTFOLIO MANAGEMENT SERVICES FEES

Clients in the Program pay a program fee (each, a "Program Fee") from which Sawtooth pays the Program Managers. The Program Fee also includes investment management services comprised of client profiling assistance, asset allocation assistance, research and evaluation of Program Managers, ongoing monitoring of Program Managers and account performance, Program Manager hiring and termination, account rebalancing, account reporting, and other operational and administrative services.

Certain fees are not included in the Program Fee. The Program Fee does NOT include any fee charged by Representatives to their individual Clients. Client should separately refer to the Representative's Solicitors disclosure documentation or Part 2 of their Form ADV, if they are independent advisors for a description of Representative's fees. The

Program fee may not include certain fees charged by a broker or custodian used by that Client's advisor. The Program Fees shown below do NOT include brokerage, clearing and custody fees for Client's assets held in the program. These fees are separate and can vary depending upon which custodian a Client utilizes. Clients, through coordination with their Representative, may utilize transaction-based pricing or asset based pricing for clearing and custody services. In either case, these fees will be disclosed separately to the Client in the applicable custodians clearing and custodial paperwork.

Program Fees charged are calculated as an annual percentage of assets based on the market value of the account at the end of quarter. Typically, Program Fees are charged on a quarterly basis in advance and prorated to the end of the quarter upon inception of the account. As an option, Sawtooth will allow Clients to choose a monthly billing cycle. Program fees will be charged in advance and prorated to the end of the month upon inception of the account. The level of the Program Fee will vary with the amount of assets under management and the particular investment styles and investment options chosen or recommended. Clients may receive comparable services from other sources for fees that are lower or higher than those charged by Sawtooth.

The standard Program Fee schedule for Program is as follows, but lower fees may be separately negotiated:

Program Portfolios*

<u>Amount</u>	<u>Fee</u>
\$500,000 or less	1.00% to 1.50%
Next \$500,000	0.90% to 1.40%
Next \$2,000,000	0.80% to 1.30%
Next \$2,000,000	0.70% to 1.20%
Next \$2,500,000	0.60% to 1.10%
Next \$2,500,000	0.50% to 1.00%
Value over \$10,000,000	.40% to 0.90%

**The fee charged depends on the Program manager(s) selected. Fees are calculated on a per account basis. Mutual funds, ETF's and alternative investments charge their own fees for investing the pool of assets in the respective investment vehicles. Please see the prospectus or related disclosure document for information regarding these fees.*

The Fee Schedule may be revised by Sawtooth upon notice to the Client, and the new Fee schedule will be in effect as of the first billing period (monthly or quarterly) beginning 30 days or more after Sawtooth provides notice of such revision. Fees are not charged on the basis of a share of capital gains upon or capital appreciation of the account or any portion of the account. The fee schedule above is in effect as of the date of this Brochure. Client will provide the Custodian with such documentation as Custodian requests authorizing and directing the Custodian to deduct the Fees from the account and to pay Sawtooth and the Program Managers their respective shares of the Fees upon submission of a Fee invoice (which may be electronic) to the Custodian. The value of the

account and the value of any asset in the account shall be the value reflected on the Custodian's statements (or on the Custodian's internal system, for valuations other than as of the close of a billing period (monthly or quarterly)). In the event the Custodian does not value any asset, the asset shall be valued by Sawtooth in such manner as it shall determine in good faith to reflect its fair value, in accordance with generally accepted industry standards. Money market accounts and bank accounts, if any, shall be valued as of the valuation date. Client may make additions to or withdrawals from the account at any time, subject to Sawtooth's right to terminate the account if it falls below the minimum account size stated in this Brochure. Assets deposited into the account after the beginning of a billing period (monthly or quarterly) shall be charged a prorated Fee based upon the number of days remaining in the quarter, and such prorated Fee shall be payable upon deposit of such assets. Client may withdraw account assets upon notice to the Sawtooth, subject to usual and customary securities settlement procedures. No Fee adjustments shall be made for partial withdrawals or for account appreciation or depreciation within a billing period. A prorated refund of Fees charged shall be made if the account is closed within a billing period (monthly or quarterly).

OPM Fees

When Sawtooth is acting in the capacity as an Overlay Portfolio Manager (OPM) for a third-party sponsored program, Sawtooth will receive an OPM Fee for the OPM Services performed on your account. Our OPM Fee rate will typically range from 0.05% to 0.20% per annum, depending upon the value of your account and the composition of the set of Program Managers utilized by your Representative.

We do not impose a minimum account size for our OPM Services. However, we do impose a minimum OPM Fee. Specific fee rates and minimums are to be specified in the sub-advisory services agreement between us and the Sponsor. The minimum account OPM Fee is \$80.00 per year.

Limited Prepayment of Fees

Under no circumstances does Sawtooth require or solicit payment of fees in excess of \$1200 more than six months in advance of services rendered.

Termination

The Terms and Conditions for each Agreement contain termination provisions. The Agreement may be canceled by either party at any time, for any reason, upon receipt of 30 days prior written notice. Clients will receive a prorated refund of any pre-paid quarterly program fee, based upon the number of days remaining in the billing period after the termination date. Clients are not charged a liquidation fee if securities are to be delivered in-kind. The client's custodian may charge a liquidation fee.

Financial Planning Fees

Each Representative establishes the fee schedule for financial planning services he or she provides. The fee schedule will be provided to the Client before entering into an Agreement. Financial planning services may be charged on an hourly or fixed fee

arrangement. Hourly rates vary between \$150 to \$450 per hour. Fees are negotiable and will vary depending upon the particular Representative who provides the services, the complexity of the Client situation and services to be provided, prior or anticipated relationships, as well as the size of the Client's assets, and the possibility for additional business, as determined by the Representative within his or her discretion. All financial planning agreements must be approved by Sawtooth. Similar financial planning services may be available elsewhere at lower cost to the Client. Fees are to be fully paid at the time of completion of the financial plan.

Other Issues Relating to Fees

The cost of investment advisory services provided through the Program may be more or less than the cost of purchasing similar services separately. Among the factors impacting the relative cost of the program to a particular Client include the size of the account; the type of account (*i.e.*, equity or fixed income); the size of the assets devoted to a particular strategy; and the managers selected.

In some cases, certain registered investment advisors and broker dealers who recommend the Program to their representatives may receive compensation from Sawtooth as a result of their representatives Clients' participation in the Program. This compensation may be more than what they would receive if the Client participated in other programs or paid separately for investment advice, brokerage and other services. This creates a conflict of interest as such registered investment advisors and broker dealers may therefore have a financial incentive to recommend the Program over other programs or services.

The Program Fee does not cover certain charges associated with securities transactions in Clients' accounts, including: (i) dealer markups, markdowns or spreads charged on transactions in over-the counter securities; (ii) costs relating to trading in certain foreign securities; (iii) the internal charges and fees that may be imposed by any collective investment vehicles ("**Collective Investment Vehicles**"), such as mutual funds and closed-end funds, unit investment trusts, exchange-traded funds or real estate investment trusts (such as fund operating expenses, management fees, redemption fees, 12b-1 fees and other fees and expenses. Further information regarding charges and fees assessed on Collective Investment Vehicles may be found in the appropriate prospectus or offering document) or other regulatory fees; (iv) brokerage commissions or other charges imposed by broker-dealers or entities other than the custodian if and when trades are cleared by another broker-dealer; (v) the charge to carry tax lot information on transferred mutual funds or other investment vehicles, postage and handling charges, returned check charges, transfer taxes; stock exchange fees or other fees mandated by law, and (vi) any brokerage commissions or other charges, including contingent deferred sales charges ("CDSC"), imposed upon the liquidation of "in-kind assets" that are transferred into the Program. With respect to this latter type of charge, Sawtooth may liquidate such assets transferred into the Program in its sole discretion. Clients should thus be aware that if they transfer in-kind assets into a Program, Sawtooth may liquidate such assets immediately or at a future point in time and Clients may incur a brokerage commission or other charge,

including a CDSC. Clients also may be subject to taxes when Sawtooth liquidates such assets. Accordingly, Clients should consult with their financial advisor and tax consultant before transferring in-kind assets into the Program.

In addition to the redemption fees described above, a Client may incur redemption fees, when Sawtooth determines that it is in the Client's overall interest, in conjunction with the stated goals of the investment strategy, to divest from certain Collective Investment Vehicles prior to the expiration of the collective investment vehicle's minimum holding period. Depending on the length of the redemption period, the particular investment strategy and/or market circumstances, Sawtooth may be able to minimize any redemption fees, when in the portfolio manager's discretion it is reasonable to allow a Client to remain invested in a Collective Investment Vehicle until expiration of the minimum holding period.

The Program Fee does not cover certain custodial fees that may be charged to Clients by the Custodian. Clients also may be charged for specific account services, such as ACAT transfers, electronic fund and wire transfer charges, and for other optional services elected by Clients. Accounts may be subject to transaction-based ticket charges assessed by the custodian for the purchase of certain mutual funds. Similarly, the Program Fee does not cover certain non-brokerage-related fees such as individual retirement account ("IRA") trustee or custodian fees and tax-qualified retirement plan account fees and annual and termination fees for retirement accounts (such as IRAs). Some mutual funds assess redemption fees to investors upon the short-term sale of its funds. Depending on the particular mutual fund, this may include sales for rebalancing purposes. Please see the prospectus for the specific mutual fund for detailed information regarding such fees.

Account Minimum

A minimum of \$100,000.00 of assets under management is required for this service. This account size may be negotiable under certain circumstances. In those cases, Sawtooth requires a minimum annual per account fee of \$80. Sawtooth may group certain related client accounts for the purposes of achieving the minimum account size and determining the annualized fee. Discounts, not generally available to our advisory clients, may be offered to family members and friends of associated persons of our firm

Limited Negotiability of Advisory Fees

Although Sawtooth has established the aforementioned fee schedule(s), Sawtooth retains the discretion to negotiate alternative fees on a client-by-client basis. Client facts, circumstances and needs are considered in determining the fee schedule. These include the complexity of the Client, assets to be placed under management, anticipated future additional assets; related accounts; portfolio style, account composition, reports, among other factors. The specific annual fee schedule is identified in the contract between the adviser and each client.

Sub-Advisory Investment Management Service Fees

Under a sub-advisory asset management agreement with various RIA's and Broker/Dealers Sawtooth provides investment management services to the specific

clients. Under the terms of these agreements, Sawtooth collects an advisory fee percentage per annum on all assets under management as delineated under an advisory agreement between the RIA or Broker Dealer and the client. The client pays an additional fee for the advisory services provided by the RIA or Broker/Dealer that is above and beyond the advisory fee collected by Sawtooth.

ERISA Accounts

Sawtooth 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. As such, our firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, Sawtooth may only charge fees for investment advice about products for which our firm and/or our related persons do not receive any commissions or 12b-1 fees, or conversely, investment advice about products for which our firm and/or our related persons receive commissions or 12b-1 fees, however, only when such fees are used to offset Sawtooth Asset Management, Inc.'s advisory fees.

Advisory Fees in General

Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisors for similar or lower fees.

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

Sawtooth does not charge performance-based fees.

Item 7 Types of Clients

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

- Individuals (other than high net worth individuals)
- High net worth individuals
- Pension and profit sharing plans (other than plan participants)
- Trusts

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

METHODS OF ANALYSIS

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

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

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

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

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

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

Quantitative Analysis. We use mathematical models in an attempt to obtain more accurate measurements of a company's quantifiable data, such as the value of a share price or earnings per share, and predict changes to that data.

A risk in using quantitative analysis is that the models used may be based on assumptions that prove to be incorrect.

Asset Allocation. Rather than focusing primarily on securities selection, we attempt to identify an appropriate ratio of securities, fixed income, and cash suitable to the client's investment goals and risk tolerance.

A risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of securities, fixed income, and cash will change over time due to stock and market movements and, if not corrected, will no longer be appropriate for the client's goals.

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

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

Program Manager Analysis. We examine the experience, expertise, investment philosophies, and past performance of Program Managers in an attempt to determine if that

manager has demonstrated an ability to invest over a period of time and in different economic conditions. We monitor the manager's underlying holdings, strategies, concentrations and leverage as part of our overall periodic risk assessment. Additionally, as part of our due-diligence process, we survey the Program Manager's compliance and business enterprise risks.

A risk of investing with a third-party manager who has been successful in the past is that he/she may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a third-party manager's portfolio, there is also a risk that a manager may deviate from the stated investment mandate or strategy of the portfolio, making it a less suitable investment for our clients. Moreover, as we do not control the manager's daily business and compliance operations, we may be unaware of the lack of internal controls necessary to prevent business, regulatory or reputational deficiencies.

Representative as Program Manager

Under certain circumstances Sawtooth offers Clients the ability to utilize a proprietary model developed by the Representative ("Solicitor Representative as Program Manager"). In such cases, Sawtooth will implement standard Program Manager due-diligence on the Representative, including but not limited to; examining the experience, expertise, investment philosophies, and past performance of the Representative to determine if they have demonstrated an ability to invest over a period of time and in different economic conditions. Sawtooth reserves the right to decline any strategy for any reason. If accepted, Sawtooth will enter into a model manager agreement with Representative to provide third-party research that may include purchase and sale recommendations in the form of a model portfolio to be used in the management of the investments in the Clients account, based on the individual needs and circumstances of each Client. Acceptance as a Program Manager does not guarantee the Representative's model or strategy is available to all Client's and Representatives using Sawtooth.

In order to remove any **conflict of interest**, Representative, when acting as Program Manager, **CANNOT** receive both Program Manager and Solicitor Fee's. Sawtooth will pay the Representative a Solicitor's Fee as described in the Investment Management Agreement signed by the Client. Sawtooth will charge the Client a management fee for assets invested in a Representatives proprietary model.

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

INVESTMENT STRATEGIES

We use the following strategy(s) in managing client accounts, provided that such strategy(s) are appropriate to the needs of the client and consistent with the client's investment

objectives, risk tolerance, and time horizons, among other considerations:

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

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

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

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

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

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

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

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

The two types of options are calls and puts:

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

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

portfolio.

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

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

Item 9 Disciplinary Information

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

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

Item 10 Other Financial Industry Activities and Other Business Activities

As previously disclosed, we recommend the services of various registered investment advisors to its clients. In exchange for this recommendation, we may receive a referral fee from the selected investment adviser. The fee received by us is typically a percentage of the fee charged by that investment adviser to the referred client. 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 do not charge the client any fees for these referrals. We will only recommend advisors that pay us a referral fee.

We are aware of the special considerations required under Rule 206(4)-3 of the Investment Advisors 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 Sawtooth 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. Sawtooth 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 advisors;
- we disclose to the client in a separate disclosure document the compensation we receive in exchange for the client's referral to the selected investment adviser;
- 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 advisors to establish that the advisors 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.

Consulting Services and Software Tools

Sawtooth provides a customizable asset management software program through a web-enabled platform ("Platform") primarily to other investment advisors and financial industry companies ("Institutions"). Institutions, in turn, provide the Platform to their Advisors.

Sawtooth provides consulting services and software tools to selected Institutions. In addition, Sawtooth may license the Platform to certain Institutions. The Platform is typically customized and may be private labeled in the name of the applicable Institution. Institutions can provide the Platform to Advisors, who can use the Platform to manage the accounts of their respective clients. Advisors can use the Platform to manage the accounts of their respective clients, typically individuals and their related trusts or estates. The Platform provides Institutions and Advisors the ability to offer their clients a separate accounts program, various asset allocation programs and account reporting services. Sawtooth also allows Institutions to combine these programs to suit the needs of their clients.

Advisor Directed Models

Sawtooth offers Advisors, not affiliated with Sawtooth, the ability to create their own model portfolios for Clients. For Client's using an Advisor Directed Model, Sawtooth is providing only administrative services, provides no advisory services and is not responsible for the selection of the specific investment choices made with respect to an Advisor Directed Model.

Reporting Only Services

Sawtooth offers reporting services to allow Institutions and Advisors to monitor Investors' accounts. Advisors are able to examine their Clients' holdings, allocation of assets and portfolio performance. Performance reporting is calculated according to industry standards and is applied to each account or combination of several related accounts for a household's or family's assets.

Back Office Processing/ Billing

Sawtooth provides back-office functions including daily account reconciliation and asset transfers. Sawtooth uses electronic data feeds from trading/clearing/custodial firms to streamline the account reconciliation process.

Sawtooth's billing software automates billing for Institutions and Advisors. The Platform can accommodate a billing structure to include house-holding of accounts to capture scaling rates, several layers of combined accounts and assets, flat fee billing, credits, advance or arrear billing, daily weighted average billing and event triggered billing.

IARs Acting as Registered Representatives of Affiliated Broker/Dealers

Certain investment adviser representatives ("IARs") of Sawtooth may also act as registered representatives of a non-affiliated broker-dealer, Dempsey Lord Smith, LLC or Purshe Kaplan Sterling. Because of their dual roles, a conflict of interest may exist when these representatives recommend that an advisory client buy or sell securities. In all such cases, Sawtooth ensures that its IARs only recommend transactions for advisory clients that are in the best interest of the client.

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

Sawtooth 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.

Sawtooth 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 quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm's access persons. 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.

Sawtooth'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 bradp@sawtootham.com, or by calling us at 952-831-0039 or may get one on our website: www.sawtootham.com

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 and on a pro-rata basis. In the instances where there is a partial fill of a particular batched order, we will allocate all purchases pro-rata, with each account paying the average price. Our employee accounts will be in the pro-rata 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 maintain a list of all reportable securities holdings for our firm and anyone associated with this advisory practice that has access to advisory recommendations ("access person"). These holdings are reviewed on a regular basis by our firm's Chief Compliance Officer or his/her designee.
6. We have established procedures for the maintenance of all required books and records.
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 and acknowledgement of the Code of Ethics by 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.

Item 12 Brokerage Practices

For discretionary clients, Sawtooth Asset Management, Inc. requires these clients to provide us with written instructions on which broker dealer to use and the commission costs or fixed

custodial fees that will be charged to these clients for these transactions. These clients must include any limitations on this discretionary authority in this written authority statement. Clients may change/amend these limitations as required. Such amendments must be provided to us in writing.

Best Execution

Sawtooth can recommend broker-dealers for client accounts. When so doing, Sawtooth has a fiduciary duty to seek best execution for client transactions. The Firm maintains written policies and procedures to evaluate the execution performance of broker-dealers. These policies are modeled after the guidelines articulated by the SEC. Specifically, we believe that best execution is largely a qualitative concept. Sawtooth may recommend or choose broker/dealers based on a variety of factors which may include:

- (i) the broker-dealer's capital depth and market access;
- (ii) Sawtooth's knowledge of negotiated commission rates and spreads currently made available;
- (iii) the nature and character of the markets for the security to be purchased or sold,
- (iv) the desired timing of the transaction;
- (v) the execution, clearance and settlement capabilities of the broker/dealer selected;
- (vi) the reasonableness of the commission or its equivalent (such as a mark-up or mark-down) for the specific transaction.

Sawtooth may not necessarily select the broker-dealer with the lowest commission or commission equivalent (such as a mark-up or mark-down) for a specific transaction, but instead may select a broker-dealer that provides specialized services, which justify the payment of higher commissions (or their equivalent) than those customarily paid for transactions requiring routine services.

Block Trading

Sawtooth will block trades where possible and when advantageous to clients. This blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts, so long as transaction costs are shared equally and on a pro-rated basis between all accounts included in any such block.

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

- 1) Transactions for any client account may not be aggregated for execution if the practice is prohibited by or inconsistent with the client's advisory agreement with Sawtooth Asset Management, Inc., or our firm's order allocation policy.
- 2) The trading desk in concert with the portfolio manager must determine that the purchase or sale of the particular security involved is appropriate for the client and consistent with the client's investment objectives and with any investment guidelines or restrictions applicable to the client's account.
- 3) The portfolio manager must reasonably believe that the order aggregation will benefit, and will enable Sawtooth to seek best execution for each client participating in the aggregated

order. This requires a good faith judgment at the time the order is placed for the execution. It does not mean that the determination made in advance of the transaction must always prove to have been correct in the light of a "20-20 hindsight" perspective. Best execution includes the duty to seek the best quality of execution, as well as the best net price.

4) Prior to entry of an aggregated order, a written order ticket must be completed which identifies each client account participating in the order and the proposed allocation of the order, upon completion, to those clients.

5) If the order cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day must be allocated pro rata among the participating client accounts in accordance with the initial order ticket or other written statement of allocation. However, adjustments to this pro rata allocation may be made to participating client accounts in accordance with the initial order ticket or other written statement of allocation. Furthermore, adjustments to this pro rata allocation may be made to avoid having odd amounts of shares held in any client account, or to avoid excessive ticket charges in smaller accounts.

6) Generally, each client that participates in the aggregated order must do so at the average price for all separate transactions made to fill the order, and must share in the commissions on a pro rata basis in proportion to the client's participation. Under the client's agreement with the custodian/broker, transaction costs may be based on the number of shares traded for each client.

7) If the order will be allocated in a manner other than that stated in the initial statement of allocation, a written explanation of the change must be provided to and approved by the Chief Compliance Officer no later than the morning following the execution of the aggregate trade.

8) Sawtooth's client account records separately reflect, for each account in which the aggregated transaction occurred, the securities which are held by, and bought and sold for, that account.

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

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

Most clients will choose (and enter into a separate contractual relationship with) a broker/custodian ("Custodian") from a limited list for the assets they deposit into Sawtooth's program. Currently, Sawtooth has relationships with multiple custodians that provide brokerage, clearing and custody services to clients in the Programs.

Some Representatives may limit their clients to a subset of these broker/custodians. Those advisors may be affiliated with one or more of these brokers/custodians and may require their clients to contract with that broker/custodian. If a Representative requires a client to utilize the services of an affiliated broker/custodian, the adviser may benefit.

Clients will generally pay an asset-based fee for the brokerage/custody/clearing services provided by the broker/custodian or a transaction based fee charged per trade (commissions), and those fees are NOT included in the Program Fee for a client. To the

extent that such fees are not included in the Program Fee, the client will be informed in writing. Such fees may be charged directly to the client. In addition, there may be certain fees that are not included in the brokerage/custody/clearing fees that a Client may be responsible for, such as annual retirement account fees or wiring fees. Several of the available brokers/custodians have minimum fees for client accounts which will be fully disclosed to clients in the applicable account documentation.

For our client accounts maintained with a Custodian, the Custodians generally do not charge separately for custody services but are 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 Custodial accounts.

Custodians may also make available to our firm other products and services that benefit Sawtooth but may not directly benefit our clients' accounts. Many of these products and services may be used to service all or some substantial number of our client accounts, including accounts not maintained at that particular Custodian.

Custodian's products and services that assist us in managing and administering our clients' accounts include software and other technology that

- i. provide access to client account data (such as trade confirmations and account statements);
- ii. facilitate trade execution and allocate aggregated trade orders for multiple client accounts;
- iii. provide research, pricing and other market data;
- iv. facilitate payment of our fees from clients' accounts; and
- v. assist with back-office functions, recordkeeping and client reporting.

Custodian's may also offer other services intended to help us manage and further develop our business enterprise. These services may include:

- i. compliance, legal and business consulting;
- i. publications and conferences on practice management and business succession; and
- ii. access to employee benefits providers, human capital consultants and insurance providers.

Custodians may make available, arrange and/or pay third-party vendors for the types of services rendered to Sawtooth. Custodians may discount or waive fees it 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 our firm. Custodians may also provide other benefits such as educational events or occasional business entertainment of our personnel. In evaluating whether to recommend or require that clients custody their assets at Custodian we may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors we consider and not solely on the nature, cost or quality of custody and brokerage services provided by Custodian, which may create a potential conflict of interest.

Specifically, Sawtooth participates in the institutional customer program offered by TD AMERITRADE INSTITUTIONAL. TD AMERITRADE INSTITUTIONAL is a division of TD AMERITRADE Inc., FINRA/SIPC/NFA ("TD AMERITRADE"), an unaffiliated SEC-registered broker-dealer and FINRA member. TD AMERITRADE offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. Registrant receives some benefits from TD AMERITRADE as listed below:

As disclosed above, Advisor participates in TD Ameritrade's institutional customer program and Advisor may recommend TD Ameritrade to Clients for custody and brokerage services. There is no direct link between Advisor's participation in the program and the investment advice it gives to its Clients, although Advisor receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. These benefits 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 Advisor participants; 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; and discounts on compliance, marketing, research, technology, and practice management products or services provided to Advisor by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by Advisor's related persons. Some of the products and services made available by TD Ameritrade through the program may benefit Advisor but may not benefit its Client accounts. These products or services may assist Advisor in managing and administering Client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help Advisor manage and further develop its business enterprise. The benefits received by Advisor or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, Advisor endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by Advisor or its related persons in and of itself creates a potential conflict of interest and may indirectly influence the Advisor's choice of TD Ameritrade for custody and brokerage services.

Sawtooth receives from TD AMERITRADE certain additional economic benefits ("Additional Services") that may not be offered to any other independent investment advisors participating in the program. Specifically, the Additional Services include payment to ORION ADVISOR SERVICES, LLC for client web based reporting services and is for the direct/and or indirect benefit of Sawtooth's clients. Payment in the amount of \$16,000 will be paid annually to ORION ADVISOR SERVICES, LLC for the web based reporting services described above. TD AMERITRADE provides the Additional Services in its sole discretion and at its own expense, and Sawtooth does not pay any fees to TD

AMERITRADE for the Additional Services. Sawtooth and TD AMERITRADE have entered into a separate agreement ("Additional Services Addendum") to govern the terms of the provision of the Additional Services.

Sawtooth's receipt of Additional Services raises potential conflicts of interest. In providing Additional Services to Sawtooth, TD AMERITRADE most likely consider the amount and profitability to TD AMERITRADE of the assets in, and trades placed for, Sawtooth's client accounts maintained with TD AMERITRADE. TD AMERITRADE has the right to terminate the Additional Services Addendum with Sawtooth, in its sole discretion, provided certain conditions are met. Consequently, in order to continue to obtain Additional Services from TD AMERITRADE, Sawtooth may have an incentive to recommend to its clients that the assets under management by Sawtooth be held in custody with TD AMERITRADE and to place transactions for client accounts with TD AMERITRADE. Sawtooth'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.

Sawtooth Asset Management, Inc.'s receipt of Additional Services does not diminish our duty to act in the best interests of our clients, including seeking best execution of trades for client accounts.

Trade-Error Correction Policy

Sawtooth shall reimburse accounts for losses resulting from Sawtooth's trade errors, but shall not credit accounts for such errors resulting in market gains. The gains and losses are reconciled within Sawtooth's custodian firm account and Sawtooth retains the net gains and losses.

Item 13 Review of Accounts, Reports

PORTFOLIO MANAGEMENT SERVICES

Reviews

While the underlying securities within Individual the Program accounts are continually monitored as well as any Program Manager(s), these accounts are reviewed quarterly. Accounts are reviewed in the context of each client's stated investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment. Clients are referred to the Manager Disclosure Documents for information regarding the account review policies of the Program Managers.

Reviewers

Client Program accounts are reviewed by Sawtooth's Chief Compliance Officer or other member of Sawtooth's senior management. Clients are referred to the Manager Disclosure Documents for information regarding the individuals who review accounts on behalf of the Program Managers.

Reports

In addition to the monthly statements and confirmations of transactions that Portfolio Management Services clients receive from their broker-dealer, Sawtooth will provide quarterly reports summarizing account performance, balances and holdings. Sawtooth also makes available a web based performance reporting tool for those clients that so desire.

Financial Planning Clients

The accounts of Clients receiving financial planning services will be reviewed, if at all, as provided in the financial planning Agreement. The review will be conducted by the Representative, unless otherwise stated in the financial planning Agreement. Financial planning Clients will receive only the reports described in their financial planning Agreement.

Item 14 Client Referrals and Other Compensation

REFERRAL ARRANGEMENTS

Sawtooth may enter into arrangements with one or more third parties (each a Rep Recruiter) whereby the Rep Recruiter will refer prospective Representatives to Sawtooth, and in return, if the prospective Representative registers as a Representative and has clients who participate in the Program. Sawtooth may pay the Rep Recruiter an annual referral fee based on the value of the Program accounts for Clients of the referred Representative. Sawtooth may also enter into arrangements with independent investment advisors, broker-dealers, or their representatives whereby Sawtooth will pay an annual referral fee for each Client referred by such adviser, broker-dealer, or representatives.

Sawtooth is aware of the special considerations promulgated pursuant to Rule 206(4)-3 under the Investment Advisors Act of 1940, and any comparable state regulations. Although the Rep Recruiter will not typically engaged in solicitation activities with respect to any particular Client or prospective Client (and would, therefore, not be considered to be a solicitor under such rules), if the Rep Recruiter does engage in solicitation activities with a Client or prospective Client, the Rep Recruiter shall conform to the requirements applicable to Advisors other solicitors with respect to such solicitation activities.

The amount (or range of amounts) of referral fees will be disclosed to the Client or prospective Client in the Solicitor Disclosure Document. The Fee paid by a Client who participates in the Program and is referred by a Representative who was referred by a Rep Recruiter, or by an independent adviser, broker-dealer, or representative may be higher (by the amount Sawtooth pays in referral fees) than the Fee the Client would have been charged if the Representative or the Client had not been so referred. A Solicitor's Disclosure Document will be provided to each Client who is solicited, and the Firm will retain the clients signed acknowledgement of receiving this Brochure, the Managers Disclosure

Item 15 Custody

Sawtooth will not maintain physical possession (custody) of the funds or securities of any

managed Client account.

We previously disclosed in the "Fees and Compensation" section (Item 5) of this Brochure that our firm directly debits advisory fees from client accounts. While Sawtooth does not have custody, payment of fees may be paid by the custodian from the custodial brokerage account that holds Client funds. In certain jurisdictions this may be deemed constructive custody. Prior to permitting direct debit of fees each Client provides written authorization permitting fees be made direct from the custodian.

Sawtooth will provide each Client and each custodian a bill showing the amount of the fee and the way in which it was calculated. The custodian sends every Client an account statement not less than monthly showing all account activity, including the amounts disbursed from the account to Sawtooth.

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

In addition to the periodic statements that clients receive directly from their custodians, we also make available quarterly reports on our web based reporting system. We urge our clients to carefully compare the information provided on these statements to ensure that all account transactions, holdings and values are correct and current.

Our firm does not have actual or constructive custody of client accounts.

Item 16 Investment Discretion

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

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

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

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

Item 17 Voting Client Securities

Proxy Voting

Sawtooth will NOT vote or accept authority to vote proxies on behalf of its Clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in Client accounts. However, Sawtooth may, in their discretion, provide advice to Clients regarding the voting of proxies.

Class Actions, Bankruptcies and Other Legal Proceedings

Client's should note that Sawtooth will NOT advise or act on behalf of the Client in legal proceedings involving companies whose securities are held or previously were held in the Client's account(s), including, but not limited to, the filing of "Proofs of Claim" in class action settlements. If desired, Clients may direct Sawtooth to transmit copies of class action notices to the Client or a third party. Upon such direction, Sawtooth will make commercially reasonable efforts to forward such notices in a timely manner. We do not offer any consulting assistance regarding proxy issues to clients.

Item 18 **Financial Information**

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.

Sawtooth has not been the subject of a bankruptcy petition at any time during the past ten years.

Item 19 **Other Matters**

Suitability of Investments

A transactions suitability for the Client shall be determined as of the date the transaction was executed for the Clients account. All transactions effected for the Clients account will be deemed to be suitable in light of the Clients financial situation, investment objectives, risk tolerance, and investment time horizon, unless written notice to the contrary is received by the Sawtooth within 10 business days following the Clients receipt of the Custodians statement reflecting such transactions.

Conflicts Between this Brochure and Agreement

In the event of any discrepancy or conflict between the information contained in this Brochure and the Agreement, the Agreement shall control.

Use of Term "Registered Investment Adviser"

Clients should be aware that the term Registered Investment Adviser does not imply any certain level of skill or training.

Short-term Gains and Losses for Tax Purposes

Clients should note that if Sawtooth effects short-term transactions on behalf of Client accounts, such transactions may result in short-term gains or losses for federal and state tax purposes. Clients should review the treatment of such tax consequences with his or her accountant or tax counsel.

Privacy Policies

Sawtooth seeks to carefully safeguard the Clients personal information. When processing transactions or managing accounts on the Clients behalf, Sawtooth will maintain physical, electronic and procedural safeguards to protect the Clients non-public personal information. Sawtooth may disclose non-public personal information to non-affiliated third

parties, such as brokers and custodians, as necessary to facilitate the acceptance and management of our relationship with the Client. Sawtooth may also disclose the Clients nonpublic personal information to other financial institutions with whom Sawtooth has joint business arrangements for proper business purposes.

In addition, a Clients non-public personal information may be released to the Client, to the Clients authorized agent or representative, or if Sawtooth is compelled to do so by law, or in connection with any government or self-regulatory organizational request or investigation. Finally, Sawtooth may disclose the Clients non-public personal information to companies Sawtooth hires to help administrate its business. Companies Sawtooth hires to provide these types of services are strictly prohibited from using the Clients personal information for their own purposes and are contractually obligated to maintain strict confidentiality.

A copy of our Privacy Policy is available to our advisory clients and prospective clients. You may request a copy by email sent to bradp@sawtootham.com, or by calling us at 952-831-0039 or may get one on our website: www.sawtootham.com

Part 2B of Form ADV: *Brochure Supplement*

Bradley Pries

Business Address:

Sawtooth Asset Management, Inc.
7400 Metro Blvd.
Suite 219
Edina, MN 55439

This brochure supplement provides information about Bradley Earl Pries that supplements the Sawtooth Asset Management, Inc. brochure. You should have received a copy of that brochure. Please contact Brad Pries 952-831-0039 if you did not receive Sawtooth Asset Management, Inc.'s brochure or if you have any questions about the contents of this supplement.

Additional information about Bradley Pries is available on the SEC's website at www.adviserinfo.sec.gov

Item 2 - Educational Background and Business Experience

Year of Birth: 1966

Education:

U of MN Carlson School of Management; MBA, Finance; 1990

U of MN Carlson School of Management; BSB, Marketing/Finance; 1988

Business Background:

- | | |
|--|---|
| • Sawtooth Asset Management, Inc. | 05/2009 – Current CEO |
| • Thinkorswim, Inc. | 1/2008 - 10/2009 Representative |
| • Redhawk Wealth Advisors, Inc.; | 1/2008 - 5/2009 President |
| • Mt. Yale Portfolio Advisors, LLC | 5/2005 - 1/2008 Sr. Vice President |
| • Integrated Portfolio Management, Inc | 1/1992 - 4/2005 Sr. Vice President |
| • Royal Alliance Associates, Inc. | 7/1990 to 05/1997 OSJ Supervisor & Representative |

Item 3 - Disciplinary Information

Bradley Pries has no reportable disciplinary history

Item 4 - Other Business Activities

Investment-Related Activities

Bradley Pries is not engaged in any other investment-related activities.

Bradley Pries does not receive commissions, bonuses or other compensation on the sale of securities or other investment products.

Non Investment-Related Activities

Bradley Pries is not engaged in any other business or occupation that provides substantial compensation or involves a substantial amount of his or her time.

Item 5 - Additional Compensation

Bradley Pries does not receive any economic benefit from a non-advisory client for the provision of advisory services.

Item 6 - Supervision

Supervisor: Bradley Pries

Title: CCO

Phone Number: 952-831-0039