

# **SHOREWOOD INVESTMENT ADVISORS**

**FIRM BROCHURE  
(ADV PART 2A)**

**MAY 17, 2013**

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This brochure provides information about the qualifications and business practices of Shorewood Investment Advisors. If you have any questions about the contents of this brochure, please contact us at (608) 225-2034. 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.

Shorewood Investment Advisors is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about Shorewood Investment Advisors is available on the SEC's website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The CRD number for the Adviser is 167920.

## **2. MATERIAL CHANGES**

The firm does not have any material changes to report at this time. In the future, this Item will discuss only specific material changes that are made to this Brochure and provide clients with a summary of such changes. The firm will also reference the date of our last annual update of our brochure.

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## **4. ADVISORY BUSINESS**

### **A. OWNERSHIP/ADVISOR HISTORY**

Shorewood Investment Advisors (“SIA”) was formed as a Wisconsin company in April 2013 and subsequently registered as an investment adviser with the Securities and Exchange Commission in May 2013.

### **B. ADVISORY SERVICES OFFERED**

SIA’s representatives will meet with a client to evaluate the individual client’s investment needs, goals and objectives. After the evaluation, SIA may recommend one or more of the following services.

#### **1. FINANCIAL CONSULTING SERVICES**

SIA offers Financial Consulting on a project basis. Project Consulting services are provided, at the discretion of SIA, to clients who are not Portfolio Management clients of the firm, who need advice about a specific subject, e.g. retirement planning, investment analysis, estate planning. The advice may be one-time in nature or occur at different times as the client's need for such services arise.

Information provided by each client is analyzed in relation to the financial objectives expressed by the client and as perceived by SIA. After SIA decides upon a strategy or recommendation, the conclusions are conveyed to the client. A written report may or may not be provided. SIA does not produce comprehensive, integrated financial plans as part of the Project Consulting service.

SIA Financial Consulting services may also include, as a separate service, locating and recommending a private, outside money manager for a client and periodic discussion with client regarding the performance of the manager. While performing Private Manager Search and Performance Evaluation, no securities commissions generated within the privately managed account will be paid to an SIA Representative or an SIA Affiliate.

#### **2. PORTFOLIO MANAGEMENT SERVICES**

SIA provides Portfolio Management services to clients who wish to have their securities and other assets managed on a continuous basis. Prior to beginning Portfolio Management services, the client and a Representative of SIA meet to determine the assets to be supervised by SIA, to discuss the client's short and long term financial goals and to develop a written investment policy statement designed to document the client's objectives and provide guidance to SIA's professional staff when making decisions on a client's behalf.

As part of its Portfolio Management services SIA may recommend to, and assist a client in selecting, one or more third party separate account managers. Due to the significant minimum account size associated with most separate account managers, their use is generally confined to portfolios exceeding a \$2 million threshold. When a separate account manager is selected, SIA will assist the client in establishing an account with the manager, include client assets placed with the manager in SIA’s Portfolio Management service, and monitor the manager’s performance. Client may, depending upon the separate account manager selected, be required to enter into a separate agreement with the manager. Separate account managers have full

discretionary authority to purchase and sell securities for the client's accounts. SIA does not place any orders in client accounts being managed by a separate account manager.

### **3. 401(K) RETIREMENT PLAN CONSULTING**

For 401(k) Retirement Plan accounts, SIA provides the following Plan Consulting services designed to assist plan Sponsors and/or Trustees with plan design, selection of suitable investments, periodic monitoring of those investments, and general education to plan participants:

- Advise, if necessary, plan Sponsors and/or Trustees about the need for a written investment policy statement.
- Advise plan Sponsors and/or Trustees of appropriate investment categories for client's retirement plan.
- Advise plan Sponsors and/or Trustees of mutual funds which are consistent with investment categories selected by plan Sponsors.
- Periodically monitor performance of the mutual fund choices of the plan Sponsors and/or Trustees and provide periodic advice regarding possible changes to the investment categories or mutual fund selections.
- Meet twice a year with plan Sponsors and/or Trustees to discuss investment performance.
- Arrange for mutual fund prospectuses to be available to retirement plan participants.
- provide plan Sponsors and/or Trustees with a quarterly report regarding:
  - performance (quarter, year, three-year, five-year) for each mutual fund selected by plan Sponsors;
  - performance of comparative benchmarks; and
  - value of assets in plan.
- Meet annually, at a time mutually agreed between SIA and the Sponsor, in a plan participant group meeting.
- conduct informational/educational group meetings, at the times mutually agreed between SIA and the Sponsor, with Sponsor's retirement plan participants at initial installation of the plan regarding:
  - general investment concepts;
  - investment performance of selected funds; and
  - investment strategies appropriate to various investment profiles and objectives.

### **C. TAILORED SERVICES**

SIA's Portfolio Management Services are tailored to the goals of each portfolio. As a result, SIA allows clients to impose restrictions on investing in certain securities or types of securities.

#### **D. WRAP PROGRAM**

Shorewood Investment Advisors does not sponsor a wrap program. This section is not applicable.

#### **E. CLIENT ASSETS MANAGED**

Being a newly formed investment adviser, Shorewood Investment Advisors does not manage any client assets on a discretionary or non-discretionary basis.

### **5. FEES AND COMPENSATION**

#### **A. FINANCIAL CONSULTING SERVICES**

Financial Consulting Services are provided at an hourly rate of \$200.

Total hourly charges vary depending on a number of factors, including the type of services requested, nature of issues a client wishes to have analyzed, the detail in which the client wishes to have results presented, and the number and length of meetings needed to explain the conclusions and recommendations. The hourly rate may be negotiated.

The client will be given an estimate of the total fee at the signing of the consulting agreement. Generally, one-half of the estimated fee is due at commencement of the project. A final bill is sent to each client after services are completed. If the consulting agreement is terminated, all hourly rate fees paid in advance are refunded to the client after subtracting fees earned by SIA for time spent in performing services.

#### **B. PORTFOLIO MANAGEMENT SERVICES**

Fees for SIA Portfolio Management services are based upon a percentage of the value of assets under management according to the following schedule:

<u>Range of Value of Assets Under Management</u>	<u>Annual Fee</u>
First \$1,000,000	1.00%
Next \$2,000,000	.60%
Over \$3,000,000	.40%

Fees for Portfolio Management services are generally payable quarterly after the services are rendered (see exception in the next paragraph). The market value of assets is determined as of March 31<sup>st</sup>, June 30<sup>th</sup>, September 30<sup>th</sup>, and December 31<sup>st</sup> or through the date of contract termination for billing purposes. The minimum annual fee is \$2,500. Fees are deducted directly from client accounts in cases where written authorization to do so is provided in advance. Due to fee schedule changes over time, and negotiated fees in some cases, fees may vary from client to client.

Clients receiving the services of a separate account manager are billed quarterly. The market value of assets is determined as of March 31<sup>st</sup>, June 30<sup>th</sup>, September 30<sup>th</sup> and December 31<sup>st</sup> or through the date of contract termination for billing purposes. Those assets are typically charged a lower asset-based fee by SIA and therefore won't necessarily comport with the fee schedule.

Certain securities may be identified by a client as "non-discretionary". Although SIA includes non-discretionary assets in both the Portfolio Appraisal and Portfolio Performance pages of the Investment Management Report and also considers them with determining client's overall asset allocation and compliance with the underlying Investment Policy Statement, SIA does not take ongoing responsibility for proactively researching or individually monitoring non-discretionary assets. Upon request, SIA will provide client with any published information SIA may have on non-discretionary assets and, at client's directive will effect transactions with these investments. Non-discretionary assets are billed at the reduced rate of 0.20% per annum.

Clients should be aware that in addition to SIA's fee, each mutual fund and variable annuity in which a client's assets are invested also charges its own advisory fees and other expenses that reduce the net asset value of the fund shares or annuity sub-accounts. Separate account Managers also charge their own management fees. Because SIA bills clients an advisory fee based on the total valuation of the portfolio, which includes mutual funds, annuities, and investments receiving the services of separate account managers, clients pay two levels of advisory fees for management of their assets, one directly to SIA and another indirectly through management fees assessed by the funds, annuities and separate accounts in the portfolio.

SIA's fees are also exclusive of brokerage commissions, transaction fees, and other related costs and expenses that are incurred by the client. Clients may incur certain charges imposed by custodians, brokers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to our fee and we will not receive any portion of these commissions, fees, and costs. Please see Item 12 for more information on the SIA's brokerage recommendations.

### **C. 401(K) RETIREMENT PLAN CONSULTING**

Clients agree to pay SIA an annual fee based upon total assets in client's plan in accordance with the following fee schedule:

<u>Total Value of Assets</u>	<u>Tiered Annual Fee</u>	<u>Quarterly Fee</u>
\$1 to \$1,000,000	.60%	.15%
\$1,000,001 to \$2,000,000	.40%	.10%
\$2,000,001 to \$5,000,000	.20%	.05%
\$5,000,001 and over	.15%	.0375%

The fees specified above are payable quarterly in arrears (after services have been provided). Fees are calculated on the value of the account assets on the last business day of the previous quarter. Fees may be paid by the client or withdrawn directly from the plan assets by prior authorization of the client. The minimum annual fee for these services is \$500. Fees are calculated on tiers of assets in the account. As an example, let's assume an account with \$1.8 million. The annual fee is calculated as follows: 0.60% on the first \$1 million (\$6,000) plus 0.40% on the next \$800,000 (\$3,200). The total fee is \$9,200 on \$1.8 million for a blended rate of 0.51%.

#### **D. TERMINATION OF SERVICES AND ACCOUNTS**

A client may terminate these services for any reason within the first five (5) business days after signing the separate investment advisory contract without any cost or penalty. Thereafter, the contract may be terminated at any time by giving thirty (30) days written notice to the firm at Shorewood Investment Advisors, 857 Terry Place, Madison, WI 53711. Any prepaid fees will be refunded on a prorated basis and the client is responsible for paying all of SIA's unpaid but earned fees to the date of termination.

#### **6. PERFORMANCE-BASED FEES AND SIDE BY SIDE MANAGEMENT**

Shorewood Investment Advisors does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

#### **7. TYPES OF CLIENTS**

SIA's services are offered to individuals, high net worth individuals, charities, pension and profit sharing plans and corporations or other business entities. SIA requires a minimum account size of \$250,000 to become a client.

#### **8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

##### **A. METHODS OF ANALYSIS AND INVESTMENT STRATEGIES**

SIA starts each client with an individualized asset allocation model. When deciding on the asset allocation for a client, SIA takes into account the client's risk tolerance, goals, investment objectives and other data gathered during the client meetings. Asset Allocation is an investment strategy that aims to balance risk and reward by apportioning a portfolio's assets according to an individual's goals, risk tolerance and investment horizon among various asset classes. The risk associated with asset allocation is that each class has different levels of risk and return, so each will behave differently over time. Also, despite being diversified there is no guarantee that an account will grow.

Once the client's asset allocation is created SIA will create an investment portfolio to the client. The securities that make up the portfolio are selected using a combination of Fundamental and Technical analysis.

Fundamental analysis is a technique that attempts to determine a security's value by focusing on underlying factors that affect a company's *actual* business and its future prospects. The analysis is performed on historical and present data. On a broader scope, one can perform fundamental analysis on industries or the economy as a whole. The term refers to the analysis of the economic well-being of a financial entity as opposed to only its price movements. The risk associated with fundamental analysis is that despite that appearance that a security is undervalued, it may not rise in value as predicted.

Technical Analysis is a method of evaluating securities by analyzing statistics generated by market activity, such as past prices and volume. Technical analysts do not attempt to measure a security's intrinsic value, but instead use charts and other tools to identify patterns that can suggest future activity. The risk associated with technical analysis is that there is no broad consensus among technical traders on the best method of identifying future price movements.



SIA's analysis of securities and advice relating thereto may be based upon information obtained from financial newspapers and magazines, research materials prepared by others, corporate ratings services, and annual reports, prospectuses, filings made with the Securities and Exchange Commission, conferences, seminars and continuing education materials. SIA may also utilize computer models for performance analysis, asset allocation and risk management.

## **B. RECOMMENDED SECURITIES AND THEIR RISKS**

SIA may use any of the following securities within a client's account: Government Securities, Mutual Funds, Exchange Traded Funds, Real Estate Investment Trusts, Variable Annuities and Separately Managed Accounts. Client accounts managed by separate account managers are generally funded with individual stocks or bonds, but may also include other types of securities.

All investments bear different types and degrees of risk and **investing in securities involves risk of loss that clients should be prepared to bear**. Obtaining higher rates of return on investments entails accepting higher levels of risk. Clients need to ask questions about risks they do not understand.

SIA strives to render its best judgment on behalf of its clients. Still, it cannot assure or guarantee clients that investments will be profitable or assure that no losses will occur in an investment portfolio. Past performance is an important consideration with respect to any investment or investment adviser but is not a reliable predictor of future performance. An investment could lose money over short or even long periods. A client should expect his/her account value and returns to fluctuate within a wide range, like the fluctuations of the overall stock and bond markets. The firm continuously strives to provide outstanding long-term investment performance, but many economic and market variables beyond our control can affect the performance of an investment portfolio. The client's account performance could be hurt by:

- **Stock market risk:** The chance that stock prices overall will decline. Stock markets tend to move in cycles, with periods of rising stock prices and periods of falling stock prices.
- **Systemic risk:** The chance that an event can trigger a collapse in a certain industry or the economy and cause assets prices to fall sharply.
- **Interest rate risk:** The chance that bond prices overall will decline because of rising interest rates. Interest rate risk will vary for the client, depending on the amount of client assets invested in bonds.
- **Manager risk:** The chance that the proportions allocated to the various securities will cause the client's account to underperform relevant to benchmarks or other accounts with a similar investment objective.
- **Active management fees risk:** Active management strategies that involve frequent trading generate higher transaction costs that diminish the portfolio's return. In addition, the short-term capital gains resulting from frequent trades often have an unfavorable income tax impact when such funds are held in a taxable account.
- **International Investing Risk:** Investing in the securities of non-U.S. companies involves special risks not typically associated with investing in U.S. companies. Foreign securities tend to be more volatile and less liquid than investments in U.S. securities, and may lose value because of adverse political, social or economic developments overseas or due to changes in the exchange rates between foreign currencies and the U.S. dollar. In addition, foreign

investments are subject to settlement practices, and regulatory and financial reporting standards, that differ from those of the U.S.

- **Terrorism Risk:** The chance that domestic and international stock prices will decline due to a terrorist event.
- **Political Risk:** The chance that a change in government may affect stock prices of domestic or international stocks.
- **Natural Risks:** The chance that a natural catastrophe (earthquakes, hurricanes, etc.) may affect stock prices of domestic or international stocks

## **9. DISCIPLINARY INFORMATION**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events within the past 10-years that would be material to your evaluation of the Firm or the integrity of its management. Shorewood Investment Advisors has no information applicable to this Item because it and its management has not been the subject of any administrative, civil, criminal or self-regulatory proceedings.

## **10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

Shorewood Investment Advisors has no other industry affiliations. This section is not applicable.

## **11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

### **A. DESCRIPTION**

SIA's Code of Ethics establishes ideals for ethical conduct upon fundamental principles of openness, integrity, honesty, and trust. SIA will provide a copy of its Code of Ethics to any client or prospective client upon request.

SIA's Code of Ethics covers all supervised persons and it describes its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at SIA must acknowledge the terms of the Code of Ethics annually, or as amended.

### **B. MATERIAL INTEREST IN SECURITIES**

SIA, its owners and investment adviser representatives do not have a material interest in any securities.

### **C. INVESTING IN OR RECOMMENDING THE SAME SECURITIES**

It is SIA's policy to encourage and allow owners and investment adviser representatives to invest in the firm's investment strategies. SIA believes its employees should bear the same risks as its clients. SIA attempts to mitigate the conflict of interest to the best of its ability through the enactment of a Code of Ethics, trading policies, and its fiduciary responsibilities. Nonetheless, SIA generally attempts to place client transactions ahead of the owners and investment adviser

representatives' trades. The associates of SIA are aware of their fiduciary duty to their clients and the prohibitions against the use of any insider information. Records of all associates' proprietary trading activities will be kept by SIA, available to regulators to review on the premises. However, since SIA only recommends large, diversified ETFs and mutual funds, SIA believes that employee trades are unlikely to have material impact on prices obtained by clients.

## **12. BROKERAGE PRACTICES**

### **A. RECOMMENDATION CRITERIA**

SIA currently recommends the brokerage and custody services of Charles Schwab & Co., Inc., member FINRA & SIPC, an unaffiliated broker-dealer that serves independent investment advisers. Some of the primary considerations in determining reasonableness of the recommendation are: rates charged by other brokers that provide clearing or custody services for registered investment advisers; reputation and financial strength; breadth and depth of available products, with an important factor being the broker's no-transaction-fee mutual fund universe; accuracy with which transactions are processed; and, customer service responsiveness. SIA periodically evaluates the foregoing factors, and while it may conclude based on its review that commission rates paid by clients are reasonable, lower commissions may be available from other brokers or in conjunction with retail (non-advisory) accounts, and certain mutual funds that carry a transaction fee may be available on a no-transaction-fee basis from other brokers or directly from the fund company.

#### **i. RESEARCH AND SOFT DOLLARS**

"Soft dollars" are defined as a form of payment investment firms can use to pay for goods and services such as news subscriptions or research. When an investment firm gives its business to a particular brokerage firm, the brokerage firm in return can agree to use some of its revenue to pay for these types of services. SIA receives the following benefits from Charles Schwab & Co., Inc. that include assistance with practice management and assistance with the management of client accounts, including but not limited to: (a) receipt of duplicate client confirmations; (b) receipt of duplicate client statements; (c) access to a trading desk serving investment adviser firm participants exclusively, and providing research, pricing information, and other market data; (d) access to the investment advisor portion of their web sites which includes practice management articles, compliance updates, and other financial planning related information and research materials; (e) access to other vendors (such as insurance or compliance providers, or providers of research or other materials) on a discounted fee basis through discounts arranged by the custodians; (f) permitting SIA to access an electronic communication network for client order entry and to access a client's account information and which may otherwise assist SIA with its back-office functions, including recordkeeping and client reporting; (g) conferences that the SIA's associated persons may attend (with no or discounted registration and travel fees) and receive continuing education credits for attending; and (h) additional training on issues such as practice management, marketing, investment theory, financial planning, business succession, regulatory compliance, and information technology. Generally, many of these services are utilized to service all or a substantial number of client's accounts. Educational, research, or other services provided by custodian or mutual fund companies may benefit all of SIA's clients, or only some.

## **ii. BROKERAGE FOR CLIENT REFERRALS**

SIA receives client referrals from Charles Schwab & Co., Inc. (“Schwab”) through SIA’s participation in Schwab Advisor Network (“the Service”). The Service is designed to help investors find an independent investment advisor. Schwab is a broker-dealer independent of and unaffiliated with SIA. Schwab does not supervise SIA and has no responsibility for SIA’s management of clients’ portfolios or SIA’s other advice or services. SIA pays Schwab fees to receive client referrals through the Service. SIA’s participation in the Service may raise potential conflicts of interest described below.

SIA pays Schwab a Participation Fee on all referred clients’ accounts that are maintained in custody at Schwab and a Non-Schwab Custody Fee on all accounts that are maintained at, or transferred to, another custodian. The Participation Fee paid by SIA is a percentage of the value of assets in the client’s account. SIA pays Schwab the Participation Fee for so long as the referred client’s account remains in custody at Schwab. The Participation Fee is billed to SIA quarterly and may be increased, decreased, or waived by Schwab from time to time. The Participation Fee is paid by SIA and not by the client. SIA has agreed not to charge clients referred through the Service fees or costs greater than the fees or costs SIA charges clients with similar portfolios who were not referred through the Service.

SIA generally pays Schwab a Non-Schwab Custody Fee if custody of a referred client’s account is not maintained by, or assets in the account are transferred from, Schwab. This fee does not apply if the client was solely responsible for the decision not to maintain custody at Schwab. The Non-Schwab Custody Fee is a one-time payment equal to a percentage of the assets placed with a custodian other than Schwab. The Non-Schwab Custody Fee is higher than the Participation Fee SIA generally would pay in a single year. Thus, SIA will have an incentive to recommend that client accounts be held in custody at Schwab.

The Participation and Non-Schwab Custody Fees will be based on assets in accounts of SIA’s clients who were referred by Schwab and those referred clients’ family members living in the same household. Thus, SIA will have incentives to encourage household members of clients referred through the Service to maintain custody of their accounts and execute transactions at Schwab and to instruct Schwab to debit SIA’s fees directly from the accounts.

For accounts of SIA’s clients maintained in custody at Schwab, Schwab will not charge the client separately for custody but will receive compensation from SIA’s clients in the form of commissions or other transaction-related compensation on securities trades executed through Schwab. Schwab also will receive a fee (generally lower than the applicable commission on trades it executes) for clearance and settlement of trades executed through the broker-dealers other than Schwab. Schwab’s fees for trades executed at other broker-dealers are in addition to the other broker-dealer’s fees. Thus, SIA may have an incentive to cause trades to be executed through Schwab rather than another broker-dealer. SIA nevertheless, acknowledges its duty to seek best execution of trades for client accounts. Trades for client accounts held in custody at Schwab may be executed through a different broker-dealer than trades for SIA’s other clients. Thus, trades for accounts custodied at Schwab may be executed at different times and different prices than trades for other accounts that are executed at other broker-dealers.

## **iii. DIRECTED BROKERAGE**

Some clients may direct the Firm to a specific broker-dealer to execute securities transactions for

their accounts. When so directed, the Firm may not be able to effectively negotiate lower brokerage commissions or achieve best execution on clients' transactions. This can result in higher fees, charges or dealer concessions in one or more transactions for the clients' account because the Firm cannot negotiate favorable prices.

## **B. TRADE AGGREGATION**

SIA may aggregate orders with respect to the same security purchased for different clients. When orders are aggregated, each participating account receives the average share price for the transaction and bears a proportionate share of all transaction costs and based upon each account's participation in the transaction. Clients participating in block trading may include proprietary or related accounts. Such accounts are treated as client accounts and are neither given preferential nor inferior treatment versus other client accounts. Allocations of orders among client accounts must be made in a fair and equitable manner.

## **13. REVIEW OF ACCOUNTS**

### **A. PERIODIC REVIEWS**

SIA's owner, Ms. McClarey, reviews client accounts on a semi-annual basis to review their asset allocation. She also monitors accounts for excess cash on a weekly basis. Finally, she will meet with clients upon request.

### **B. OTHER REVIEWS**

Additional reviews are conducted periodically depending on market conditions, economic or political events, or changes in a client's financial situation that are reported by the client (such as retirement, termination of employment, physical move or inheritance).

### **C. REPORTS**

Portfolio management clients receive at least quarterly statements from their custodian. SIA urges clients to carefully review such statements.

## **14. CLIENT REFERRALS AND OTHER COMPENSATION**

SIA does not receive extra compensation or any other economic benefit for providing investment advice or other advisory services to clients.

SIA enters into agreements with solicitors (referring parties) to refer clients to SIA. The referral agreements between SIA and referring parties are designed to comply with the solicitor regulations as set out in SEC Rule 206(4)-3. If a referred client enters into an investment advisory agreement with SIA, and a cash referral is paid to the referring party, such fee will be paid as a percentage of the client advisory fees that are generated. Typically that fee ranges from 10% to 50% of the client advisory fee with the exact fee disclosed in the solicitor disclosure document. Written disclosure regarding the referral fees SIA pays are provided to the client prior to or at the time of entering into an investment advisory or financial planning agreement. In those states that require solicitors to be licensed or filed as a registered investment advisor, SIA may require the solicitor to be licensed or filed under our registration.

The compensation to be paid in connection with these agreements is subject to negotiation between SIA and the referring party. The referral agreement between any referring party and SIA

does not result in any charges to the client in addition to the normal level of advisory fees charged. However, these situations may create a financial incentive for the referring party to recommend one advisory service over another or over other investment advisors and broker/dealer programs, products and services. The referring party recommending SIA receive compensation as a result of a client's association with SIA.

## **15. CUSTODY**

SIA will not have custody of client accounts. Clients will receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. Shorewood Investment Advisors urges each client to carefully review such statements.

## **16. INVESTMENT DISCRETION**

When SIA has discretionary authority it is obtained by the client signing an investment management agreement. Decisions regarding purchasing, selling or holding assets are made as frequently as SIA deems necessary during the management period. Thus, pursuant to an underlying Investment Policy Statement, SIA decides which securities are to be purchased or sold, in what amounts, and at what the time. SIA also has discretion over the securities dealer(s) to use. All discretionary services are provided without prior consultation with the client. However, SIA does not make these types of decisions for client accounts being managed by a separate account manager, nor is SIA granted authority by a client to hire or terminate a separate account manager. These decisions must be made by each client after consultation with an SIA Representative.

## **17. VOTING CLIENT SECURITIES**

SIA will not be responsible for responding to proxies of securities held in clients' accounts. SIA does not plan to receive any proxy solicitation materials from client accounts. The client should direct all proxy questions to the issuer of the security.

## **18. FINANCIAL INFORMATION**

### **A. BALANCE SHEET**

This section is not applicable.

### **B. FINANCIAL CONDITION**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about SIA's financial condition. It does not have a financial commitment that impairs its ability to service its clients.

### **C. BANKRUPTCY**

SIA, its owners and its investment adviser representatives have not been the subject of a bankruptcy proceeding.