

Strasbaugh Financial Advisory, Inc.

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ADV Part 2A, Firm Brochure

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Contact: Richard Strasbaugh, Chief Compliance Officer
8580 Scarborough Drive, Suite 145
Colorado Springs, Colorado 80920
www.strasbaughfinancial.com

This Brochure provides information about the qualifications and business practices of Strasbaugh Financial Advisory, Inc. If you have any questions about the contents of this Brochure, please contact us at (719) 265-4600 or Richard@strasbaughfinancial.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 Strasbaugh Financial Advisory, Inc. also is available on the SEC's website at www.adviserinfo.sec.gov.

References herein to Strasbaugh Financial Advisory, Inc. as a “registered investment adviser” or any reference to being “registered” does not imply a certain level of skill or training.

Item 2 Material Changes

There have been no material changes made to this ADV Part 2A Firm Brochure since the previous annual amendment filing on March 13, 2015. However, this Firm Brochure has been amended at Items 4 and 5 to include new disclosure regarding Retirement Rollovers, the “eMoney Advisor” platform, tradeaways for fixed income transactions, and revised disclosures regarding fee practices, including the removal of the previous annual minimum annual fee disclosure.

Strasbaugh Financial Advisory Inc.’s Chief Compliance Officer, Richard Strasbaugh, remains available to address any questions regarding the above changes or any other aspect of this ADV Part 2A, Firm Brochure.

Item 3 Table of Contents

Item 1	Cover Page.....	1
Item 2	Material Changes.....	2
Item 3	Table of Contents.....	2
Item 4	Advisory Business	3
Item 5	Fees and Compensation	6
Item 6	Performance-Based Fees and Side-by-Side Management	7
Item 7	Types of Clients.....	8
Item 8	Methods of Analysis, Investment Strategies and Risk of Loss.....	8
Item 9	Disciplinary Information	9
Item 10	Other Financial Industry Activities and Affiliations	9
Item 11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	9
Item 12	Brokerage Practices	10
Item 13	Review of Accounts.....	12
Item 14	Client Referrals and Other Compensation.....	12
Item 15	Custody.....	12
Item 16	Investment Discretion.....	13
Item 17	Voting Client Securities.....	13
Item 18	Financial Information	13

Item 4 Advisory Business

- A. Strasbaugh Financial Advisory, Inc. (“SFA”) is a corporation that was formed on December 3, 2002 in the State of Colorado. SFA became registered as an Investment Adviser Firm in January 1999. SFA is principally owned by Susan H. Strasbaugh and Richard Strasbaugh. Ms. Strasbaugh is SFA’s President.
- B. As discussed below, SFA offers to its clients (individuals, pension and profit sharing plans, trusts, estates and charitable organizations, etc.) investment advisory services, and, to the extent specifically requested by a client, financial planning and related consulting services.

INVESTMENT ADVISORY SERVICES

The client can determine to engage SFA to provide discretionary investment advisory services on a *fee-only* basis. SFA’s annual investment advisory fee is based upon a percentage (%) of the market value of the assets placed under SFA’s management, generally between 0.50% and 1.20%. (*See* Item 5 below). Prior to engaging SFA to provide investment advisory services, clients are generally required to enter into an *Investment Advisory Agreement* with SFA setting forth the terms and conditions of the engagement.

FINANCIAL PLANNING AND CONSULTING SERVICES

To the extent requested by a client, SFA *may* determine to provide financial planning and/or consulting services (including investment and non-investment related matters, including estate planning, insurance planning, etc.) on a separate fee basis.

Initial and Renewal Financial Planning Services. SFA’s initial and renewal planning and consulting fees are negotiable, but generally range between \$5,000 and \$20,000 for the initial (exclusive of the fee for investment advisory services) for the initial retainer year and generally from \$2,000 (exclusive of the fee for investment advisory services) for each renewal retainer year, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s). Prior to engaging SFA to provide planning or consulting services, clients are generally required to enter into a *Financial Planning and Investment Advisory Agreement* with SFA setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the portion of the fee that is due from the client prior to SFA commencing services. If requested by the client, SFA may recommend the services of other professionals for implementation purposes. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from SFA. **Please Note:** If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. **Please Also Note:** It remains the client’s responsibility to promptly notify SFA if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/ revising SFA’s previous recommendations and/or services.

MISCELLANEOUS

Limitations of Non-Investment Consulting/Implementation Services. To the extent requested by the client, SFA *may* provide consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. Neither SFA, nor any of its representatives, serves as an attorney, accountant, or licensed insurance agent, and no portion of SFA's services should be construed as legal, accounting, or insurance brokerage services. Accordingly, SFA does not prepare estate planning documents, tax returns, or sell insurance products. To the extent requested by a client, SFA may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance, etc.). The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from SFA. **Please Note:** If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. **Please Also Note:** It remains the client's responsibility to promptly notify SFA if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising SFA's previous recommendations and/or services.

ByAllAccounts. SFA, in conjunction with the services provided by ByAllAccounts, may provide periodic comprehensive reporting services which can incorporate all of the client's investment assets, including those investment assets that are not part of the assets managed by SFA (the "Excluded Assets"). The client and/or his/her/its other advisors that maintain trading authority, and not SFA, shall be exclusively responsible for the investment performance of the Excluded Assets. SFA's service relative to the Excluded Assets is limited to reporting and non-discretionary consulting services only, which does not include investment implementation, unless otherwise part of the Investment Advisory Agreement. SFA does not have trading authority for the Excluded Assets, unless they are included on a separate schedule to the Investment Advisory Agreement. As such, to the extent applicable to the nature of the Excluded Assets (assets over which the client maintains trading authority versus trading authority designated to another investment professional), the client (and/or the other investment professional), and not SFA, shall be exclusively responsible for directly implementing any recommendations relative to the Excluded Assets. SFA shall not be responsible for any implementation error (timing, trading, etc.) relative to the Excluded Assets. In the event the client desires that SFA provide non-discretionary investment management services (whereby SFA would have trading authority) with respect to the Excluded Assets, the client may engage SFA to do so pursuant to the terms and conditions of the *Investment Advisory Agreement* between SFA and the client.

eMoney. SFA may provide its clients with access to an online platform hosted by "eMoney Advisor" ("eMoney"). The eMoney platform allows a client to view his/her/its complete asset allocation, including those assets that SFA does not manage (the "Excluded Assets"). SFA does not provide investment management, monitoring, or implementation services for the Excluded Assets. Therefore, SFA shall not be responsible for the investment performance of the Excluded Assets. **Rather, the client and/or his/her/its advisor(s) that maintain management authority for the Excluded Assets, and not SFA, shall be exclusively responsible for such investment performance.** The client may choose to engage SFA to manage some or all of the Excluded Assets pursuant to the terms and conditions of an *Investment Advisory*

Agreement between SFA and the client. The eMoney platform also provides access to other types of information, including financial planning concepts, which should not, in any manner whatsoever, be construed as services, advice, or recommendations provided by SFA. Finally, SFA shall not be held responsible for any adverse results a client may experience if the client engages in financial planning or other functions available on the eMoney platform without SFA's assistance or oversight.

PLEASE NOTE: RETIREMENT ROLLOVERS-No Obligation/Conflict of Interest.

A client leaving an employer typically has four options (and may engage in a combination of these options): i) leave the money in the former employer's plan, if permitted, ii) roll over the assets to his new employer's plan, if one is available and rollovers are permitted, iii) roll over to an Individual Retirement Account ("IRA"), or iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). SFA may recommend an investor roll over plan assets to an IRA managed by SFA. As a result, SFA and its representatives may earn an asset-based fee (*see Please Note* below). In contrast, a recommendation that a client or prospective client leave his or her plan assets with his or her old employer or roll the assets to a plan sponsored by a new employer will generally result in no compensation to SFA (unless you engage SFA to monitor and/or manage the account while maintained at your employer). SFA has an economic incentive to encourage an investor to roll plan assets into an IRA that SFA will manage or to engage SFA to monitor and/or manage the account while maintained at your employer. There are various factors that SFA may consider before recommending a rollover, including but not limited to: i) the investment options available in the plan versus the investment options available in an IRA, ii) fees and expenses in the plan versus the fees and expenses in an IRA, iii) the services and responsiveness of the plan's investment professionals versus SFA's, iv) protection of assets from creditors and legal judgments, v) required minimum distributions and age considerations, and vi) employer stock tax consequences, if any. No client is under any obligation to rollover plan assets to an IRA managed by SFA or to engage SFA to monitor and/or manage the account while maintained at your employer. **Please Note:** SFA's engagement will generally include the management of the client's retirement account regardless of custodian or the client's decision to process a rollover. **SFA's Chief Compliance Officer, Richard Strasbaugh, remains available to address any questions that a client or prospective client may have regarding the above and the corresponding conflict of interest presented by such engagement.**

Use of Mutual Funds. While SFA may recommend allocating investment assets to mutual funds that are not available directly to the public, SFA may also recommend that clients allocate investment assets to publically-available mutual funds that the client could obtain without engaging SFA as an investment adviser. However, if a client or prospective client determines to allocate investment assets to publically-available mutual funds without engaging SFA as an investment adviser, the client or prospective client would not receive the benefit of SFA's initial and ongoing investment advisory services. Other mutual funds, such as those issued by Dimensional Fund Advisors ("DFA"), are generally only available through registered investment advisers. SFA may allocate client investment assets to DFA mutual funds. Therefore, upon the termination of SFA's services to a client, restrictions regarding transferability and/or additional purchases of, or reallocation among DFA funds will apply.

Client Obligations. In performing its services, SFA shall not be required to verify any information received from the client or from the client's other professionals, and is expressly authorized to rely thereon. Moreover, each client is advised that it remains his/her/its responsibility to promptly notify SFA if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising SFA's previous recommendations and/or services.

Disclosure Statement. A copy of SFA's written disclosure statement as set forth on Part 2 of Form ADV shall be provided to each client prior to, or contemporaneously with, the execution of the *Investment Advisory Agreement* or *Financial Planning and Investment Advisory Agreement*.

- C. SFA shall provide investment advisory services specific to the needs of each client. Prior to providing investment advisory services, an investment adviser representative will ascertain each client's investment objective(s). Thereafter, SFA shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at anytime, impose reasonable restrictions, in writing, on SFA's services.
- D. SFA does not participate in a wrap fee program.
- E. As of December 31, 2015, SFA had \$135,244,055 in assets under management on a discretionary basis.

Item 5 Fees and Compensation

A.

INVESTMENT ADVISORY SERVICES

If a client determines to engage SFA to provide discretionary investment advisory services on a *fee-only* basis, SFA's annual investment advisory fee is negotiable, and shall generally be based upon a percentage (%) of the market value and type of assets placed under SFA's management (between 0.50% and 1.20%) as follows:

<u>Market Value of Portfolio</u>	<u>% of Assets</u>
Up to \$500,000	1.20%
\$500,001-\$1,000,000	1.00%
\$1,000,001-\$3,000,000	0.80%
\$3,000,001-\$5,000,000	0.70%
Over \$5,000,000	0.50%

The advisory fee is payable quarterly, in advance, based upon the market value of the assets on the last day of the previous quarter.

FINANCIAL PLANNING AND CONSULTING SERVICES

Initial and Renewal Financial Planning Services. SFA's initial and renewal planning and consulting fees are negotiable, but generally range between \$5,000 and \$20,000 for the initial financial plan, and generally from \$2,000 annually, thereafter. These fees are negotiable and vary depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s). SFA's initial and renewal planning and

consulting fees do not include the separately-charged fee for investment advisory services, which are based upon assets under SFA's management as described above.

*SFA's annual retainer fee is payable in four (4) quarterly installments, in advance.

- B. Clients may elect to have SFA's advisory fees deducted from their custodial account. Both SFA's *Investment Advisory Agreement* and *Financial Planning and Investment Advisory Agreement* and the custodial/ clearing agreement may authorize the custodian to debit the account for the amount of SFA's investment advisory fee and to directly remit that management fee to SFA in compliance with regulatory procedures. In the limited event that SFA bills the client directly, payment is due upon receipt of SFA's invoice. SFA shall deduct fees and/or bill clients quarterly in advance, based upon the market value of the assets on the last business day of the previous quarter. Certain existing clients of SFA may be subject to a different billing arrangement than set forth above.

As discussed below, unless the client directs otherwise or an individual client's circumstances require, SFA shall generally recommend that TD Ameritrade ("Ameritrade") serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as Ameritrade charge brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e. transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and fixed income securities transactions). In addition to SFA's investment management fee, brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses). In addition, when beneficial to the client, individual fixed income transactions may be effected through broker-dealers other than the account custodian, in which event, the client generally will incur both the fee (mark-up/mark-down) charged by the executing broker-dealer and a separate "tradeaway" and/or prime broker fee charged by the account custodian (i.e., Ameritrade).

- C. SFA, in its sole discretion, may charge a lesser investment advisory fee based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

The *Investment Advisory Agreement* and *Financial Planning and Investment Advisory Agreement* between SFA and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the agreement. Upon termination, SFA shall refund the pro-rated portion of the advanced advisory fee paid based upon the number of days remaining in the billing quarter.

- D. Neither SFA, nor its representatives accept compensation from the sale of securities or other investment products.

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

Neither SFA nor any supervised person of SFA accepts performance-based fees.

Item 7 Types of Clients

SFA's clients shall generally include individuals, pension and profit sharing plans, trusts, estates and charitable organizations. SFA, in its sole discretion, may charge a lesser investment advisory fee based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

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

- A. SFA may utilize "fundamental" securities analysis, which is an analysis performed on historical and present data, with the goal of making financial forecasts)

SFA may utilize the following investment strategies when implementing investment advice given to clients:

- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)

Please Note: Investment Risk. Investing in securities involves risk of loss that clients should be prepared to bear. Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by SFA) will be profitable or equal any specific performance level(s).

- B. SFA's methods of analysis and investment strategies do not present any significant or unusual risks.

However, every method of analysis has its own inherent risks. To perform an accurate market analysis SFA must have access to current/new market information. SFA has no control over the dissemination rate of market information; therefore, unbeknownst to SFA, certain analyses may be compiled with outdated market information, severely limiting the value of SFA's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

SFA's primary investment strategies - Long Term Purchases and Short Term Purchases - are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy.

- C. Currently, SFA primarily allocates client investment assets among various individual equity (stocks), debt (bonds) and fixed income securities, mutual funds and/or exchange traded funds), on a discretionary basis in accordance with the client's designated investment objective(s).

Item 9 Disciplinary Information

SFA has not been the subject of any disciplinary actions.

Item 10 Other Financial Industry Activities and Affiliations

- A. Neither SFA, nor its representatives, are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B. Neither SFA, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.
- C. SFA does not have any relationship or arrangement that is material to its advisory business or to its clients with any related person.
- D. SFA does not receive, directly or indirectly, compensation from investment advisors that it recommends or selects for its clients.

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

- A. SFA maintains an investment policy relative to personal securities transactions. This investment policy is part of SFA's overall Code of Ethics, which serves to establish a standard of business conduct for all of SFA's Representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, SFA also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by SFA or any person associated with SFA.

- B. Neither SFA nor any related person of SFA recommends, buys, or sells for client accounts, securities in which SFA or any related person of SFA has a material financial interest.
- C. SFA and/or representatives of SFA *may* buy or sell securities that are also recommended to clients. This practice may create a situation where SFA and/or representatives of SFA are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. Practices such as "scalping" (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if SFA did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, "front-running" (i.e., personal trades executed prior to those of SFA's clients) and other potentially abusive practices.

SFA has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of SFA's "Access Persons". SFA's securities transaction policy requires that an Access Person of SFA must provide the

Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person's current securities holdings at least once each twelve (12) month period thereafter on a date SFA selects; provided, however that at any time that SFA has only one Access Person, he or she shall not be required to submit any securities report described above.

- D. SFA and/or representatives of SFA *may* buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where SFA and/or representatives of SFA are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. As indicated above in Item 11.C, SFA has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of SFA's Access Persons.

Item 12 Brokerage Practices

- A. In the event that the client requests that SFA recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct SFA to use a specific broker-dealer/custodian), SFA generally recommends that investment management accounts be maintained at *Ameritrade*. Prior to engaging SFA to provide investment management services, the client will be required to enter into a formal *Investment Advisory Agreement* or *Financial Planning and Investment Advisory Agreement* with SFA setting forth the terms and conditions under which SFA shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that SFA considers in recommending *Ameritrade* (or another broker-dealer/custodian, investment platform and/or mutual fund sponsor) include historical relationship with SFA, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by SFA's clients shall comply with SFA's duty to obtain best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where SFA determines, in good faith, that the commission/transaction fee is reasonable. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although SFA will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, SFA's investment management fee. SFA's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

1. Research and Additional Benefits

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, SFA may receive from *Ameritrade* (or another broker-dealer/custodian, unaffiliated investment manager investment platform and/or mutual fund sponsor) without cost (and/or at a

discount) support services and/or products, certain of which assist SFA to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by SFA may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by SFA in furtherance of its investment advisory business operations.

As indicated above, certain of the support services and/or products that *may* be received may assist SFA in managing and administering client accounts. Others do not directly provide such assistance, but rather assist SFA to manage and further develop its business enterprise.

SFA's clients do not pay more for investment transactions effected and/or assets maintained at *Ameritrade* as a result of this arrangement. There is no corresponding commitment made by SFA to *Ameritrade* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

2. SFA does not receive referrals from broker-dealers.
3. SFA does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and SFA will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by SFA. As a result, client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

Please Note: In the event that the client directs SFA to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through SFA. Higher transaction costs adversely impact account performance. **Please Also Note:** Transactions for directed accounts will generally be executed following the execution of portfolio transactions for non-directed accounts.

SFA's Chief Compliance Officer, Richard Strasbaugh, remains available to address any questions that a client or prospective client may have regarding the above arrangements.

- B. To the extent that SFA provides investment advisory services to its clients, the transactions for each client account generally will be effected independently, unless SFA decides to purchase or sell the same securities for several clients at approximately the same time. SFA may (but is not obligated to) combine or "bunch" such orders to obtain

best execution, to negotiate more favorable commission rates or to allocate equitably among SFA's clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. SFA shall not receive any additional compensation or remuneration as a result of such aggregation.

Item 13 Review of Accounts

- A. For those clients to whom SFA provides investment supervisory services, account reviews are conducted on at least an annual basis by SFA's Principal and/or representatives. All investment supervisory clients are advised that it remains their responsibility to advise SFA of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review financial planning issues (to the extent applicable), investment objectives and account performance with SFA on an annual basis.
- B. SFA may conduct account reviews on an other than periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.
- C. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. SFA may also provide a written periodic report summarizing account activity and performance.

Item 14 Client Referrals and Other Compensation

- A. As referenced in Item 12.A.1 above, SFA may receive economic benefits from *Ameritrade* including support services and/or products without cost (and/or at a discount).

SFA's clients do not pay more for investment transactions effected and/or assets maintained at *Ameritrade* as a result of this arrangement. There is no corresponding commitment made by SFA to *Ameritrade* or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

- B. SFA does not compensate, directly or indirectly, any person, other than its representatives, for client referrals.

Item 15 Custody

SFA shall have the ability to have its advisory fee for each client debited by the custodian on a quarterly basis. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. SFA may also provide a written periodic report summarizing account activity and performance.

Please Note: To the extent that SFA provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by SFA with the account statements received from the account custodian. Please Also Note: The account custodian does not verify the accuracy of SFA's advisory fee calculation.

Item 16 Investment Discretion

The client can determine to engage SFA to provide investment advisory services on a discretionary basis. Prior to SFA assuming discretionary authority over a client's account, client shall be required to execute an *Investment Advisory Agreement*, naming SFA as client's attorney and agent in fact, granting SFA full authority to buy, sell, or otherwise effect investment transactions involving the assets in the client's name found in the discretionary account.

Clients who engage SFA on a discretionary basis may, at anytime, impose restrictions, in writing, on SFA's discretionary authority (i.e. limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe SFA's use of margin, etc.).

Item 17 Voting Client Securities

- A. SFA does not vote client proxies. Clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets.
- B. Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact SFA to discuss any questions they may have with a particular solicitation.

Item 18 Financial Information

- A. SFA does not solicit fees of more than \$1,200 per client, six months or more in advance.
- B. SFA is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.
- C. SFA has not been the subject of a bankruptcy petition.

ANY QUESTIONS: SFA's Chief Compliance Officer, Richard Strasbaugh, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.