

Arbor Asset Management, LLC

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FORM ADV PART 2A BROCHURE

This brochure provides information about the qualifications and business practices of Arbor Asset Management. If you have any questions about the contents of this brochure, please contact us at 734-213-1390. 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 Arbor Asset Management is also available on the SEC's website at www.adviserinfo.sec.gov. The searchable IARD/CRD number for Arbor Asset Management is 112048.

Arbor Asset Management is a Registered Investment Adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

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Advisory Business

Form ADV Part 2A, Item 4

Arbor Asset Management, LLC has been providing investment management and advisory services to individuals, families, pension and profit sharing plans, charitable organizations, corporations, and other businesses, and trust and estate programs since 1996. Neil D. Paoella is the founder and president of Arbor Asset Management and provides ongoing account review, investment evaluation and selection, and supervises account trading. Arbor Asset Management generally manages advisory accounts on a discretionary basis only. As of January 29, 2016, the amount of client assets managed on a discretionary basis is \$295,637,980.00, while the amount of client assets that Arbor Asset Management manages on a non-discretionary basis is \$0.00.

Arbor Asset Management will create a portfolio consisting of one or all of the following: exchange traded funds, individual equities, bonds, other investment products, and no-load and load-waived mutual funds. Arbor Asset Management does not participate in any wrap fee programs. Arbor Asset Management develops a client's customized portfolio following discussions with the client in which individual goals and objectives are established. Arbor Asset Management will allocate the client's assets among various investments taking into consideration the overall management style selected by the client. Investments will be selected on the basis of any or all of the following criteria:

- the fund's performance history;
- the industry sector in which the fund invests;
- the track record of the fund's manager;
- the fund's investment objectives;
- the fund's management style and philosophy; and
- the fund's management fee structure.

Portfolio weighting between funds and market sectors will be determined by each client's individual needs and circumstances. Clients will have the opportunity to place reasonable restrictions on the types of investments that will be made on the client's behalf. Clients will retain ownership of all securities.

When appropriate to the needs of the client, Arbor Asset Management may recommend the use of margin transactions or option writing. Because these investment strategies involve certain additional degrees of risk, they will only be recommended when consistent with the client's stated tolerance for risk.

Arbor Asset Management does not offer any products or services that guarantee rates of return on investments for any time period to any client. All clients assume the risk that investment returns may be negative or below the rates of returns of other investment advisers, market indices or investment products.

Fees and Compensation

Form ADV Part 2A, Item 5

Arbor Asset Management fees are billed on a quarterly basis in arrears and calculated using the average of the beginning and ending account market values provided by the client's custodian as of calendar quarter-end. Clients may choose to be billed directly for management fees incurred or, upon approval from the client, fees may be deducted automatically from the client accounts. Such fee arrangements are fully disclosed on the client's quarterly account statement provided by the custodian. Management fees are computed utilizing a single percentage rate that corresponds to the total amount of assets a client has under management. Fees may be negotiable for retired individuals and under certain circumstances. Clients may negotiate fixed fees under unusual circumstances, although Arbor Asset Management expects such arrangements to occur infrequently.

FEE SCHEDULE:

<u>Average Market Value</u>	<u>Annual Management Fee</u>	<u>Quarterly Management Fee</u>
\$0 to \$100,000	1.50%	0.375%
\$100,000 to \$500,000	1.25%	0.3125%
\$500,000 to \$1 Million	1.00%	0.25%
Over \$1 Million	Negotiable	
Minimum Annual Fee	\$500.00	

Arbor Asset Management bills clients for services rendered for partial quarters. In the event a client terminates Arbor Asset Management's services, Arbor Asset Management will bill clients for fees earned through the date of termination. A client agreement may be canceled at any time, by either party, for any reason upon receipt of 7 days written notice. Termination of an advisory agreement by a client will not affect transactions that Arbor Asset Management has initiated on the client's behalf prior to the effective date of such termination.

In addition to Arbor Asset Management's fees outlined above, clients are responsible to pay brokerage commissions, custodial fees and other costs connected with securities transactions executed on behalf of a client's account. Clients are responsible for shareholder fees and expenses associated with securities such as mutual funds and exchange-traded funds.

Arbor Asset Management may charge clients fixed fees for clients requesting limited services of Arbor Asset Management.

Fees and portfolio performance data are calculated using security prices provided by the client's custodian. In the rare instance where the client's custodian is unable to obtain a price or where Arbor Asset Management strongly believes the custodian is not pricing a security fairly, Arbor Asset Management's President will determine a fair value for that security following Arbor Asset Management's internal policies.

Arbor Asset Management does not receive commissions or other compensation for the sale of securities or other investment products recommended to clients. Arbor Asset Management does not receive any asset-based distribution fees from the sale of mutual funds.

Performance-Based Fees and Side-By-Side Management

Form ADV Part 2A, Item 6

Arbor Asset Management does not charge any performance-based fees (fees based on a share of capital gains or capital appreciation of the assets of a client).

Types of Clients

Form ADV Part 2A, Item 7

Arbor Asset Management provides portfolio management services to individuals, high net worth individuals, pension and profit sharing plans, trust and estate programs, charitable organizations, and corporations and other businesses. Arbor Asset Management does require an annual minimum fee of \$500 to open or maintain an account. This minimum fee may be negotiated under certain circumstances.

Methods of Analysis, Investment Strategies and Risk of Loss

Form ADV Part 2A, Item 8

Arbor Asset Management uses various methods of analysis and investment strategies to formulate investment advice and manage client assets. The primary security analysis methods used are Fundamental and Technical. The sources of information used to make investment decisions are:

1. Financial newspapers and magazines;
2. Inspections of corporate activities;
3. Research material prepared by others;
4. Corporate rating services;
5. Company press releases; and
6. Annual reports, prospectuses, filings with the Securities and Exchange Commission

Arbor Asset Management selects those investments which we believe best fit a client's individual investment and financial objectives. Arbor Asset Management does not engage in day trading or profit from short-term market movements. A client portfolio will likely consist of different types of investments, allocated among many styles and asset classes for diversification. The investment strategies used by Arbor Asset Management to implement any investment advice given to clients include:

1. Long term purchases (securities held at least a year);
2. Short term purchases (securities sold within a year);
3. Trading (securities sold within 30 days);
4. Short sales and hedging;
5. Margin transactions; and
6. Option writing, including covered options, uncovered options or spreading strategies.

Arbor Asset Management urges all clients to remember that investing in securities involves risk of loss that clients should be prepared to bear.

Disciplinary Information

Form ADV Part 2A, Item 9

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Arbor Asset Management or the integrity of Arbor Asset Management's personnel or management. These events may include:

- A criminal or civil action in a domestic, foreign or military court.
- An administrative proceeding before the SEC, any other federal regulatory agency, any state regulatory agency, or any foreign financial regulatory authority.
- A self-regulatory organization (SRD) proceeding.

Arbor Asset Management has no information or disclosures applicable to this Item.

Other Financial Industry Activities and Affiliations

Form ADV Part 2A, Item 10

Arbor Asset Management does not sell products or services other than investment advice to clients and is not actively engaged in a business other than giving investment advice. Arbor Asset Management is not a general partner in any partnership in which clients are solicited to invest.

Registered investment advisers are required to disclose if any management persons are registered (or has an application pending to register) as a broker-dealer or a registered representative of a broker-dealer. Registered investment advisers must also disclose if any management persons are registered (or have an application pending to register) as a futures commission merchant, commodity pool operator, or a commodity trading advisor.

Arbor Asset Management has no information or disclosures applicable to this Item.

Registered investment advisers are required to disclose if they recommend other investment advisers to their clients or if compensation, directly or indirectly, is received from business relationships that would create a material conflict of interest.

Arbor Asset Management has no information or disclosures applicable to this Item.

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

Form ADV Part 2A, Item 11

All employees are required to adhere to Arbor Asset Management's Code of Ethics and Personal Trading Policy, which include standards of conduct Arbor Asset Management expects of its employees. Arbor Asset Management believes the ideals of honesty, integrity and trust should be the minimum requirements of professional conduct for employees. The following core principles are specifically addressed within the Code of Ethics and Personal Trading Policy:

1. The interest of clients will always be placed ahead of any employee's own personal investment interests;
2. Employees shall not take inappropriate advantage of their position with Arbor Asset Management;
3. Employees shall exercise diligence and care in maintaining and protecting nonpublic client information;
4. Employees are expected to comply with Federal securities laws.

Registered investment advisers are required to disclose if they buy or sell securities for client accounts in which the adviser has a material financial interest. Arbor Asset Management has no disclosures applicable to this Item.

Arbor Asset Management employees may purchase or sell securities also recommended for clients, subject to the Code of Ethics and Personal Trading Policy's restrictions and procedures. Arbor Asset Management has no obligation to purchase or sell for an individual client any security which Arbor Asset Management, its principals, affiliates or employees may purchase or sell for themselves or for other clients. Client transactions are generally placed ahead of, or simultaneously with, employee personal trades. Personal trades will only be placed simultaneously with client transactions when Arbor Asset Management deems its clients will not be harmed.

The Code of Ethics and Personal Trading Policy requires Arbor Asset Management to maintain a record of personal securities transactions and holdings. Records of certain securities, as permitted by law, are not required to be maintained by Arbor Asset Management, including open-end mutual funds, US Government securities and money market instruments.

A copy of the Code of Ethics and Personal Trading Policy is available upon request.

Brokerage Practices

Form ADV Part 2A, Item 12

The Custodian and Brokers We Use

Arbor Asset Management does not maintain custody of client assets (although we may be deemed to have custody of your assets if you give us authority to deduct our advisory fees directly from your account (see Item 15 – Custody)). Assets are maintained in an account at a “qualified custodian”, generally a broker-dealer or bank. We recommend that our clients use Charles Schwab & Co., Inc. (Schwab), a FINRA-registered broker-dealer, member SIPC, as the qualified custodian. Arbor Asset Management is independently owned and operated and not affiliated with Schwab. Schwab will hold your assets in a brokerage account and buy and sell securities when instructed. While we recommend that you use Schwab as custodian/broker, you will decide whether to do so and open your account with Schwab by entering into an account agreement directly with them, with the process facilitated by Arbor Asset Management. Schwab generally does not charge clients separately for custody services but is compensated by charging you commissions or other fees on trades that it executes or that settle into your Schwab account.

How We Select Brokers/Custodians to Recommend

Arbor Asset Management recommends a custodian/broker who will hold client assets and execute transactions on terms that are overall most advantageous when compared to other available providers and their services. We consider a wide range of factors, including:

- combination of transaction execution services along with asset custody services (generally without a separate fee for custody)
- capability to execute, clear and settle trades (buy and sell securities in your account)
- capabilities to facilitate transfers and payments to and from accounts (wire transfers, check requests, etc.)
- breadth of investment products made available (stocks, bonds, mutual funds, exchange traded funds (ETFs), etc.)
- quality of services
- competitiveness of the price of those services (commission rates, margin interest rates, other fees, etc.) and willingness to negotiate them
- reputation, financial strength and stability of the provider
- their service history to us and our clients

Products and Services Available to Us from Schwab

Schwab provides Arbor Asset Management and our clients with access to its institutional brokerage services – trading, custody, reporting and related services – many of which are not typically available to Schwab retail customers. Schwab also makes available various support services. Some of those services help us manage or administer our clients’ accounts while others help us manage our business. Here is a more detailed description of Schwab’s support services:

Services that Benefit You. Schwab’s institutional brokerage services include access to a broad range of investment products, execution of securities transactions, and custody of client assets. The investment products available through Schwab include some of which we might not otherwise have access to, or that would require a significantly higher minimum initial investment by our clients. Schwab’s services described in this paragraph generally benefit you and your account. For example, many mutual funds that ordinarily carry a front-end load or commission are available commission free through Schwab’s institutional brokerage services.

Services that May Not Directly Benefit You. Schwab also makes available to us other products and services that benefit us but may not directly benefit you or your account. These products and services assist us in managing and administering our clients’ accounts. They include investment research, both Schwab’s own and

that of third parties. Arbor Asset Management does not have the option to opt-out of receiving third party research services. Arbor Asset Management may use this research to service all or some substantial number of our clients' accounts. In addition to investment research, Schwab also makes available software and other technology that:

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

Services that Generally Benefit Only Us. Schwab also offers other services intended to help Arbor Asset Management manage and further develop our business enterprise. These services include:

- educational conferences and events
- technology, compliance, legal and business advice
- publications and conferences on practice management
- access to employee benefits providers, human capital consultants and insurance providers

Schwab may provide some of these services itself, or arrange for third-party vendors to provide the services to us. Schwab may also discount or waive its fees for some of these services or pay all or part of a third party's fees. Schwab may also provide us with other benefits such as occasional business entertainment of our personnel.

Schwab has provided Arbor Asset Management a courtesy discount of up to \$5500 on its Portfolio Center software and related services used to manage client accounts. This discount was provided in exchange for a commitment by Arbor Asset Management to maintain an additional 70 million in client account assets for the fiscal year.

Procedure for Block Order of Securities

When practical, client trades in the same security may be aggregated into a single order (a "block") in an effort to obtain best execution. Arbor Asset Management maintains written aggregation and allocation procedures, which are designed to reasonably ensure all buy and sell opportunities, are allocated fairly among clients and that, over time, all clients are treated fairly. Arbor Asset Management generally attempts to fill all client orders by day-end. If a block order is not filled by day-end, Arbor Asset Management's President will allocate shares executed to underlying accounts with the objective of ensuring underlying accounts are treated fairly in light of the facts and circumstances of the trade, taking into consideration factors including:

- transaction costs to clients
- levels of cash within specific accounts
- account guidelines and construction – i.e., where the security makes the most sense or represents the best fit within the portfolio and
- where appropriate, filling shares on a pro rata basis

Review of Accounts

Form ADV Part 2A, Item 13

Your account at Arbor Asset Management is monitored daily. We check balances and trade results, and make changes in your portfolio as circumstances warrant. The President, Neil Paoella, is responsible for reviewing all client accounts. A formal account review occurs no less frequently than quarterly in connection with the firm's issuance of quarterly reports.

Clients receive monthly market value and transactional statements from the account's custodian and quarterly performance reviews and statements from Arbor Asset Management. Clients receive regular account statements monthly directly from the client's custodian, which provide details of account holdings and investment activity. An annual tax statement is also provided.

Client Referrals and Other Compensation

Form ADV Part 2A, Item 14

Arbor Asset Management does receive an economic benefit from Schwab in the form of the support products and services it makes available to us and other independent investment advisors that have their clients maintain accounts at Schwab. These products and services, how they benefit us, and the related conflicts of interest are described above (see Item 12 – Brokerage Practices). The availability to us of Schwab's products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

Arbor Asset Management does not compensate any person for client referrals.

Custody

Form ADV Part 2A, Item 15

Under government regulations, Arbor Asset Management is deemed to have custody of your assets if you authorize us to instruct Schwab to deduct our advisory fees directly from your account. Schwab maintains actual custody of your assets.

Clients receive at least quarterly, statements directly from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. Arbor Asset Management urges you to carefully review such statements and compare such official custodial records to the account statements that we provide to you quarterly. Arbor Asset Management's statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Investment Discretion

Form ADV Part 2A, Item 16

Arbor Asset Management usually receives discretionary authority from the client at the onset of an advisory relationship to select the identity and amount of securities to be bought and sold. This authority is granted by the client when trading and disbursement authorization is selected on account applications or by the execution of a limited power of attorney form. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account. When selecting securities and determining amounts to be invested, Arbor Asset Management observes the investment policies, limitations and restrictions of the clients for which it advises. Investment guidelines and specific restrictions must be provided by the client to Arbor Asset Management in writing.

Voting Client Securities

Form ADV Part 2A, Item 17

Clients may appoint Arbor Asset Management the authority to vote client securities by selecting this option on their account application. When the responsibility for voting client proxies rest with Arbor Asset Management, the firm strives to vote all proxies in the client's best interests. The decision of how to vote follows the same criteria the firm uses in managing client assets – to vote for proposals in such a manner that, in Arbor Asset Management's opinion, will increase shareholder value. As the quality of a company's management is often a key determining factor when selecting equity securities for client portfolios, Arbor Asset Management typically votes in a manner consistent with the company management's recommendations.

If Arbor Asset Management encounters a material conflict of interest when voting proxies, Arbor Asset Management will employ one of the following actions to reasonably ensure the proxy voting decision is based on the client's best interests and is not a product of the conflict:

1. Engage an independent party to determine how to vote the proxy;
2. Vote in proportion to other shareholders;
3. Refer the proxy to the client or to a fiduciary of the client for voting purpose; or
4. Disclose the conflict to the affected clients and seek their consent to vote the proxy.

Upon client request, Arbor Asset Management will provide a copy of the Proxy Voting Policy. Also, upon client request, Arbor Asset Management will provide a report describing how Arbor Asset Management voted the client's proxy records.

Financial Information

Form ADV Part 2A, Item 18

Arbor Asset Management bills clients on a quarterly basis in arrears and requires no prepayment for services. Therefore, Arbor Asset Management is not required to provide a balance sheet of the most recent fiscal year.

Arbor Asset Management is required in this Item to provide you with certain financial information or disclosures about its financial condition. Arbor Asset Management has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients. Arbor Asset Management has not been the subject of a bankruptcy proceeding.