



## **Form ADV Part 2A Appendix 1 – Wrap Fee Program Brochure**

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**Dated June 17, 2016**

This Wrap Fee Program Brochure provides information about the qualifications and business practices of Shilanski & Associates, Inc., "SAAI" If you have any questions about the contents of this Brochure, please contact us at 907-278-1351. 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.

SAAI is registered as an Investment Adviser with the State of Alaska and currently in the process of registering with the Securities and Exchange Commission. Registration of an Investment Adviser does not imply any level of skill or training.

You are encouraged to review this Brochure and Brochure Supplements for our firm's associates who advise you for more information on the qualifications of our firm and our employees.

Additional information about Shilanski & Associates, Inc. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

CRD: 116431

## Item 2: Material Changes

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Shilanski & Associates, Inc. is required to advise you of any material changes to our Wrap Fee Program Brochure (“Wrap Brochure”) from our last annual update, identify those changes on the cover page of our Wrap Brochure or on the page immediately following the cover page, or in a separate communication accompanying our Wrap Brochure. We must state clearly that we are discussing only material changes since the last annual update of our Wrap Brochure, and we must provide the date of the last annual update of our Wrap Brochure.

At this time, there are no material changes to report about our Wrap Brochure.

## Item 3: Table of Contents

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# Item 4: Services, Fees and Compensation

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## **Description of Our Services**

We offer wrap fee programs as described in this Wrap Fee Program Brochure. Our wrap fee accounts are managed on an individualized basis according to the client's investment objectives, financial goals, risk tolerance, etc.

## **Types of Advisory Services**

### **Investment Management Services**

Our Investment Management Service encompasses asset management as well as providing financial planning/financial consulting to clients. It is designed to assist clients in meeting their financial goals through the use of financial investments. We conduct at least one, but sometimes more than one meeting (in person if possible, otherwise via telephone conference) with clients in order to understand their current financial situation, existing resources, financial goals, and tolerance for risk. Based on what we learn, we propose an investment approach to the client. We may propose an investment portfolio, consisting of exchange traded funds, mutual funds, individual stocks or bonds, or other securities. Upon the client's agreement to the proposed investment plan, we work with the client to establish or transfer investment accounts so that we can manage the client's portfolio. Once the relevant accounts are under our management, we review such accounts on a regular basis and at least quarterly. We may periodically rebalance or adjust client accounts under our management. If the client experiences any significant changes to his/her financial or personal circumstances, the client must notify us so that we can consider such information in managing the client's investments.

### **Additional bundled Service Cost Considerations**

A wrap fee program allows our clients to pay a specified fee for investment advisory services and the execution of transactions. The advisory services may include portfolio management and the fee is not based directly upon transactions in your account. Your fee is bundled with our costs for executing transactions in your account(s). This results in a higher advisory fee to you. We do not charge our clients higher advisory fees based on their trading activity and we pay the broker/dealer a fee based on the percentage of assets in the account, not on a per-trade basis so that we are not incentivized to limit our trading activities in your account(s). By participating in a wrap fee program, you may end up paying more or less than you would through a non-wrap fee program where a lower advisory fee is charged, but trade execution costs are passed directly through to you by the executing broker. Because our wrap fees are not tied to an account's frequency of trading and apply generally to all assets in the account, this fee arrangement is not appropriate for all accounts. For example, a wrap fee agreement would not

be appropriate for an account that holds primarily cash and cash equivalents, fixed income securities or no-transaction-fee mutual funds for a substantial period of time.

### **Charles Schwab & Co., Inc.**

Schwab's Brokerage Services. In addition to the foregoing portfolio management and other services, the program includes the brokerage services of Charles Schwab & Co., Inc. ("Schwab") a broker-dealer registered with the Securities and Exchange Commission and a member of FINRA and SIPC. We are independently owned and operated and not affiliated with Schwab. Schwab will act solely as a broker-dealer and not as an investment advisor to you. It will have no discretion over your account and will act solely on instructions it receives from us. Schwab has no responsibility for our services and undertakes no duty to you to monitor our management of your account or other services we provide to you. Schwab will hold your assets in a brokerage account and buy and sell securities and execute other transactions when we instruct them to. While we require that you use Schwab as custodian/broker to participate in our program, you will decide whether to do so and open your account with Schwab by entering into an account agreement directly with them. We do not open the account for you. Even though your account is maintained at Schwab, we can still use other brokers to execute trades for your account, as described below.

For SAAI client accounts maintained in its custody, Schwab generally does not charge separately for custody services but is compensated by account holders through commissions or other transaction-related or asset-based fees for securities trades that are executed through Schwab or that settle into Schwab accounts.

Schwab Advisor Services (formerly called Schwab Institutional) is Schwab's business serving independent investment advisory firms like us. They provide us and our clients with access to its institutional brokerage – 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 and grow our business. Schwab's support services described below are generally available on an unsolicited basis (we don't have to request them) and at no charge to us. 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. 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 to which we might not otherwise have access 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. 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. We

may use this research to service all or some substantial number of our clients' accounts, including accounts not maintained at Schwab. 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; and • assist with back-office functions, recordkeeping and client reporting. Services that Generally Benefit Only Us. Schwab also offers other services intended to help us manage and further develop our business enterprise. These services include: • educational conferences and events • technology, compliance, legal, and business consulting; • publications and conferences on practice management and business succession; and • access to employee benefits providers, human capital consultants and insurance providers. Schwab may provide some of these services itself. In other cases, it will 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 a part of a third party's fees. Schwab may also provide us with other benefits such as occasional business entertainment of our personnel.

In addition to the foregoing portfolio management and other services, the program includes the brokerage services of Charles Schwab & Co., Inc. ("Schwab") a broker-dealer registered with the Securities and Exchange Commission and a member of FINRA and SIPC. We are independently owned and operated and not affiliated with Schwab. Schwab will act solely as a broker-dealer and not as an investment advisor to you. It will have no discretion over your account and will act solely on instructions it receives from us. Schwab has no responsibility for our services and undertakes no duty to you to monitor our management of your account or other services we provide to you. Schwab will hold your assets in a brokerage account and buy and sell securities and execute other transactions when we instruct them to. While we require that you use Schwab as custodian/broker to participate in our program, you will decide whether to do so and open your account with Schwab by entering into an account agreement directly with them. We do not open the account for you. Even though your account is maintained at Schwab, we can still use other brokers to execute trades for your account, as described below.

### **Additional Expenses Not Included in the Wrap Program Fee**

You may pay custodial fees, charges imposed directly by a mutual fund, index fund, or exchange traded fund which shall be disclosed in the fund's prospectus (i.e., fund management fees and other fund expenses), mark-ups and mark-downs, spreads paid to market makers, wire transfer fees and other fees and taxes on brokerage accounts and securities transactions. These fees are not included within the wrap-fee you are charged by our firm.

Our wrap fee does not cover the fees and costs listed below, which may apply to assets in your enrolled accounts to which our wrap fee also applies, and to transactions in your accounts.

- Commissions and other fees for services provided by broker-dealers other than Schwab for transactions executed or effected by or through them that settle into or from your account at Schwab such as through our use of Schwab's Prime Brokerage or Trade Away Services. You will be responsible for paying any commissions and other fees or compensation charged by broker-dealers other than Schwab. Because you will pay our wrap fee in addition to any commissions and/or other charges paid to broker-dealers other than Schwab who execute transactions for your account, we may have an incentive to execute transactions for your accounts through Schwab, and this incentive could, in some circumstances, conflict with our duty to seek best execution.
- Fees charged by mutual fund companies, unit investment trusts (UITs), closed-end funds and other collective investment vehicles, including, but not limited to, sales loads (a portion of which are paid to Schwab) and/or charges and short-term redemption fees.
- Markups and markdowns, bid-ask spreads, selling concessions and the like received by Schwab in connection with transactions it executes as principal by selling or buying securities to or from you for its own account. Principal transactions contrast with those in which Schwab acts as your agent in effecting trades between you and a third party. Schwab may make a profit or incur a loss on trades in which it acts as principal. Markups and markdowns and bid-ask spreads are not separate fees, but rather are reflected in the net price at which a trade order is executed.
- Transfer taxes, odd-lot differentials, certificate delivery fees, reorganization fees, fees required by law, and any other fees or charges similar to those described above.
- Custody, trading and setup fees for alternative investments (such as non-standard assets, non-publicly traded limited partnership interests, foreign securities, non-marketable securities, etc.),

### **Compensation**

Our standard advisory fee is a flat fee and based on the market value of the assets under management and, dependent on the needs of the client, can range between an annual rate of 0.50% and 2.0% and is an all-inclusive wrap fee which includes charges for advisory services, custody, clearing, transaction execution and account reporting. The annual fees are negotiable and are pro-rated and paid in advance on a quarterly basis. No increase in the annual fee shall be effective without agreement from the client by signing a new agreement or amendment to their current advisory agreement.

Advisory fees are directly debited from client accounts. Accounts initiated or terminated during a calendar quarter will be charged a pro-rated fee based on the amount of time remaining in the billing period. An account may be terminated with written notice at least 30 calendar days in advance. Upon termination of the account, any unearned fee will be refunded to the client.

Because our wrap fees are not tied to an account's frequency of trading and apply generally to all assets in the account, this fee arrangement is not appropriate for all accounts. For example, a wrap fee arrangement would not be appropriate for an account that holds primarily cash and cash equivalents, fixed income securities or no-transaction-fee mutual funds for a substantial period of time.

**Fees We Pay Schwab.** In addition to compensating us for our portfolio management, other investment advisory, and other services to you, the wrap fees you pay us also allow us to pay Schwab for the brokerage services it provides to you, as described above. The fees we pay Schwab consist primarily of asset-based fees assessed on the total assets (including stocks, bonds, mutual funds, and cash) in all of our clients' accounts in our wrap fee program that are maintained at Schwab.

In addition to the asset-based fee described above, we pay Schwab certain other fees that it would otherwise charge you. These fees may include (a) flat dollar per trade fees for Schwab's prime brokerage and trade away services (through which we can have trades for your account at Schwab executed by broker-dealers other than Schwab), (b) transaction-based fees imposed on Schwab by regulatory organizations and exchanges and fees to offset processing costs incurred by Schwab for the exchange of securities for equity, options, or other covered security sell transactions (sometimes referred to as Exchange Process Fees), and (c) short-term redemption fees on no-transaction-fee mutual funds (including, but not limited to, those available through Schwab's Mutual Fund OneSource®).

**Additional Compensation We Receive.** We may receive more compensation from your participation in our wrap fee program than if you purchased our investment advisory services and Schwab's (or another broker/custodian's) services separately. As described below, Schwab makes other products and services available to us (see "Other Products and Services Available to Us from Schwab"). Consequently, we may have an incentive to recommend that you participate in our wrap fee program and open your account with Schwab. That incentive may be based on our interest in receiving the products and services rather than based on your interest in having the most appropriate fee arrangement for our investment advisory services and the best value in custody services and the most favorable execution of your transactions. This is a potential conflict of interest. We believe, however, that our recommendation of our wrap fee program, including the use of Schwab as custodian and broker, is in the best interests of those of clients to whom we recommend it based on (a) an assessment of their investment objectives,

financial situation, our investment plans and anticipated trading activity in their accounts and all other relevant factors, and (b) the scope, quality and price of Schwab's services, and not based on Schwab's payment for third party services that benefit only us.

## Item 5: Account Requirements and Types of Clients

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We provide investment management services to individuals, pension and profit sharing plans, charitable organizations, corporations and other business entities. We do not have a minimum account size requirement.

## Item 6: Portfolio Manager Selection and Evaluation

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### **Outside Portfolio Managers**

We do not hire outside Portfolio Managers as part of the Wrap Program.

### **Shilanski & Associates, Inc. Portfolio Managers**

Our firm and its related persons, Floyd, Micah, and Jamie Shilanski, act as portfolio managers for the wrap fee program previously described in this Wrap Fee Program Brochure. This may create a conflict of interest in that other investment advisory firms may charge the same or lower fees than our firm for similar services.

### **Advisory Business**

See Item 4 of this Wrap Fee Program Brochure for information about our wrap fee advisory programs.

### **Individual Tailoring of Advice to Clients**

We offer individualized investment advice to clients.

### **Ability of Clients to Impose Restrictions on Investing in Certain Securities or Types of Securities**

We do allow clients to impose reasonable restrictions on investing in certain securities or types of securities.



## Participation in Wrap Fee Programs

Our wrap fee and non-wrap fee accounts are managed on an individualized basis according to the client's investment objectives, financial goals, risk tolerance, etc. We do not manage wrap fee accounts in a different fashion than non-wrap fee accounts.

## Performance-based fees and side-by-side management

We do not charge performance-based fees.

## Methods of Analysis, Investment Strategies and Risk of Loss

Our primary methods of investment analysis are fundamental, technical, cyclical and charting analysis.

**Fundamental analysis** involves analyzing individual companies and their industry groups, such as a company's financial statements, details regarding the company's product line, the experience, and expertise of the company's management, and the outlook for the company's industry. The resulting data is used to measure the true value of the company's stock compared to the current market value. The risk of fundamental analysis is that information obtained may be incorrect and the analysis may not provide an accurate estimate of earnings, which may be the basis for a stock's value. If securities prices adjust rapidly to new information, utilizing fundamental analysis may not result in favorable performance.

**Technical analysis** involves using chart patterns, momentum, volume, and relative strength in an effort to pick sectors that may outperform market indices. However, there is no assurance of accurate forecasts or that trends will develop in the markets we follow. In the past, there have been periods without discernible trends and similar periods will presumably occur in the future. Even where major trends develop, outside factors like government intervention could potentially shorten them.

Furthermore, one limitation of technical analysis is that it requires price movement data, which can translate into price trends sufficient to dictate a market entry or exit decision. In a trendless or erratic market, a technical method may fail to identify trends requiring action. In addition, technical methods may overreact to minor price movements, establishing positions contrary to overall price trends, which may result in losses. Finally, a technical trading method may under perform other trading methods when fundamental factors dominate price moves within a given market.

**Cyclical analysis** is a type of technical analysis that involves evaluating recurring price patterns and trends based upon business cycles. Economic/business cycles may not be

predictable and may have many fluctuations between long term expansions and contractions. The lengths of economic cycles may be difficult to predict with accuracy and therefore the risk of cyclical analysis is the difficulty in predicting economic trends and consequently the changing value of securities that would be affected by these changing trends.

## **Material Risks Involved**

**All investing strategies we offer involve risk and may result in a loss of your original investment which you should be prepared to bear.** Many of these risks apply equally to stocks, bonds, commodities and any other investment or security. Material risks associated with our investment strategies are listed below.

**Market Risk:** Market risk involves the possibility that an investment's current market value will fall because of a general market decline, reducing the value of the investment regardless of the operational success of the issuer's operations or its financial condition.

**Strategy Risk:** The Adviser's investment strategies and/or investment techniques may not work as intended.

**Small and Medium Cap Company Risk:** Securities of companies with small and medium market capitalizations are often more volatile and less liquid than investments in larger companies. Small and medium cap companies may face a greater risk of business failure, which could increase the volatility of the client's portfolio.

**Turnover Risk:** At times, the strategy may have a portfolio turnover rate that is higher than other strategies. A high portfolio turnover would result in correspondingly greater brokerage commission expenses and may result in the distribution of additional capital gains for tax purposes. These factors may negatively affect the account's performance.

**Limited markets:** Certain securities may be less liquid (harder to sell or buy) and their prices may at times be more volatile than at other times. Under certain market conditions we may be unable to sell or liquidate investments at prices we consider reasonable or favorable, or find buyers at any price.

**Concentration Risk:** Certain investment strategies focus on particular asset-classes, industries, sectors or types of investment. From time to time these strategies may be subject to greater risks of adverse developments in such areas of focus than a strategy that is more broadly diversified across a wider variety of investments.

**Interest Rate Risk:** Bond (fixed income) prices generally fall when interest rates rise, and the value may fall below par value or the principal investment. The opposite is also generally true: bond prices generally rise when interest rates fall. In general, fixed

income securities with longer maturities are more sensitive to these price changes. Most other investments are also sensitive to the level and direction of interest rates.

**Legal or Legislative Risk:** Legislative changes or Court rulings may impact the value of investments, or the securities' claim on the issuer's assets and finances.

**Inflation:** Inflation may erode the buying-power of your investment portfolio, even if the dollar value of your investments remains the same.

## **Risks Associated with Securities**

Apart from the general risks outlined above which apply to all types of investments, specific securities may have other risks.

**Commercial Paper** is, in most cases, an unsecured promissory note that is issued with a maturity of 270 days or less. Being unsecured the risk to the investor is that the issuer may default.

**Common stocks** may go up and down in price quite dramatically, and in the event of an issuer's bankruptcy or restructuring could lose all value. A slower-growth or recessionary economic environment could have an adverse effect on the price of all stocks.

**Corporate Bonds** are debt securities to borrow money. Generally, issuers pay investors periodic interest and repay the amount borrowed either periodically during the life of the security and/or at maturity. Alternatively, investors can purchase other debt securities, such as zero coupon bonds, which do not pay current interest, but rather are priced at a discount from their face values and their values accrete over time to face value at maturity. The market prices of debt securities fluctuate depending on such factors as interest rates, credit quality, and maturity. In general, market prices of debt securities decline when interest rates rise and increase when interest rates fall. The longer the time to a bond's maturity, the greater its interest rate risk.

**Bank Obligations** including bonds and certificates of deposit may be vulnerable to setbacks or panics in the banking industry. Banks and other financial institutions are greatly affected by interest rates and may be adversely affected by downturns in the U.S. and foreign economies or changes in banking regulations.

**Municipal Bonds** are debt obligations generally issued to obtain funds for various public purposes, including the construction of public facilities. Municipal bonds pay a lower rate of return than most other types of bonds. However, because of a municipal bond's tax-favored status, investors should compare the relative after-tax return to the after-tax return of other bonds, depending on the investor's tax bracket. Investing in municipal bonds carries the same general risks as investing in bonds in general. Those

risks include interest rate risk, reinvestment risk, inflation risk, market risk, call or redemption risk, credit risk, and liquidity and valuation risk.

**Investment Companies Risk.** When a client invests in open end mutual funds or ETFs, the client indirectly bears its proportionate share of any fees and expenses payable directly by those funds. Therefore, the client will incur higher expenses, many of which may be duplicative. In addition, the client's overall portfolio may be affected by losses of an underlying fund and the level of risk arising from the investment practices of an underlying fund (such as the use of derivatives). ETFs are also subject to the following risks: (i) an ETF's shares may trade at a market price that is above or below their net asset value; (ii) the ETF may employ an investment strategy that utilizes high leverage ratios; or (iii) trading of an ETF's shares may be halted if the listing exchange's officials deem such action appropriate, the shares are de-listed from the exchange, or the activation of market-wide "circuit breakers" (which are tied to large decreases in stock prices) halts stock trading generally. The Adviser has no control over the risks taken by the underlying funds in which client's invest.

### **Voting Client Securities**

We do not vote Client proxies. Therefore, Clients maintain exclusive responsibility for: (1) voting proxies, and (2) acting on corporate actions pertaining to the Client's investment assets. The Client shall instruct the Client's qualified custodian to forward to the Client copies of all proxies and shareholder communications relating to the Client's investment assets. If the client would like our opinion on a particular proxy vote, they may contact us at the number listed on the cover of this brochure.

In most cases, you will receive proxy materials directly from the account custodian. However, in the event we were to receive any written or electronic proxy materials, we would forward them directly to you by mail, unless you have authorized our firm to contact you by electronic mail, in which case, we would forward you any electronic solicitation to vote proxies.

## **Item 7: Client Information Provided to Portfolio Manager**

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We are required to describe the information about you that we communicate to your portfolio managers, and how often or under what circumstances we provide updated information. Our firm communicates with your portfolio managers on a regular basis, as needed, (daily, weekly, monthly, etc.) to ensure that your most current investment goals and objectives are

understood by your portfolio manager(s). In most cases, we will communicate such information as part of our regular investment management duties. Nevertheless, we will also communicate information to your portfolio manager(s) when you ask us to, when market or economic conditions make it prudent to do so, etc.

## Item 8: Client Contact with Portfolio Manager

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Our clients may directly contact their portfolio managers with questions or concerns by calling the number on this Brochure.

## Item 9: Additional Information

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### **Disciplinary Information**

Action initiated by the State of Alaska, Securities Department. Initiated 12/09/1981; Alleged that Floyd Shilanski offered securities without having first obtained licensing and without a broker/dealer affiliation; Resolution date, 06/02/1983; Cease and Desist offering securities without a license /injunction; register with a broker/dealer.

Action initiated by State of Alaska, Division of Banking, Securities Div., Initiated 4/18/1997 at Docket No. 97-06S; Alleged that Floyd Shilanski commingled client funds, unreasonable compensation, filed Form ADV with a materially false statement while employed by Titan Value Equities. Resolution date 4/18/1997, monetary fine of \$25,000, cease and desist entered.

Action initiated against Floyd Shilanski by NASD on 2/6/1998, monetary fine of \$15,000, censure, 5 month suspension. Alleged investment of \$65,000 by 6 investors without first seeking broker/dealer authorization.

Action initiated by State of Alaska, Division of Insurance against Floyd Shilanski, initiated 10/12/97, Docket No. LD 97-03 while employed by ReliaStar Life Insurance Co.; Resolution date 10/6/1998, Monetary fine \$5000, one year suspension, 6 months of suspension was deferred and considered satisfied 2 years after license reinstatement.

### **Other Financial Industry Activities and Affiliations**

Advisors of SAAI are Registered Representatives of Summit Brokerage Services, Inc. The advisors may recommend securities, asset management, or insurance products offered through Summit Brokerage Services, Inc. or its affiliates, and other insurance companies. If our clients purchase these products through us, Advisor will receive the normal commissions and/or fees.

Thus, a potential conflict exists between our interests and those of our advisory clients. The client is under no obligation to purchase products we recommend, or to purchase products through us or through Summit Brokerage Services, Inc. The client is under no obligation to use these services; a potential conflict of interest exists. Additionally SAAI's principals do own stock and stock options in the parent company of Summit Financial Group, Inc., RCS Capital Corporation.

SAAI's principals, Floyd L. Shilanski, Rosa Shilanski, Jamie Shilanski and Micah Shilanski devote time to speaking, writing books and educating the industry in practice management procedures. SAAI LLC was created for personal estate and business planning for Floyd, Micah and Rosa Shilanski.

The advisors of our firm are licensed with several life, disability, and other insurance companies. We may recommend insurance products offered by these companies. If our clients purchase these products through us, we receive the normal commissions. Thus a potential conflict of interest exists between our interests and those of our advisory clients. The client is under no obligation to purchase product we recommend or to purchase products either through us or through these insurance companies. From time to time the affiliates may receive overrides from insurance companies. SAAI also receives insurance commissions. A potential conflict of interest exists.

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

As a fiduciary, our firm and its associates have a duty of utmost good faith to act solely in the best interests of each client. Our clients entrust us with their funds and personal information, which in turn places a high standard on our conduct and integrity. Our fiduciary duty is a core aspect of our Code of Ethics and represents the expected basis of all of our dealings.

This code does not attempt to identify all possible conflicts of interest, and literal compliance with each of its specific provisions will not shield associated persons from liability for personal trading or other conduct that violates a fiduciary duty to advisory clients. A summary of the Code of Ethics' Principles is outlined below.

- Integrity - Associated persons shall offer and provide professional services with integrity.
- Objectivity - Associated persons shall be objective in providing professional services to clients.
- Competence - Associated persons shall provide services to clients competently and maintain the necessary knowledge and skill to continue to do so in those areas in which they are engaged.

- Fairness - Associated persons shall perform professional services in a manner that is fair and reasonable to clients, principals, partners, and employers, and shall disclose conflict(s) of interest in providing such services.
- Confidentiality - Associated persons shall not disclose confidential client information without the specific consent of the client unless in response to proper legal process, or as required by law.
- Professionalism - Associated persons' conduct in all matter shall reflect credit of the profession.
- Diligence - Associated persons shall act diligently in providing professional services.

We will, upon request, promptly provide a complete code of ethics.

Our firm and its "related persons" (associates, their immediate family members, etc.) may buy or sell securities the same as, similar to, or different from, those we recommend to clients for their accounts. A recommendation made to one client may be different in nature or in timing from a recommendation made to a different client. Clients often have different objectives and risk tolerances. At no time, however, will our firm or any related party receive preferential treatment over our clients.

In an effort to reduce or eliminate certain conflicts of interest involving SAAI or personal trading, our policy may require that we restrict or prohibit associates' transactions in specific securities transactions. Any exceptions or trading pre-clearance must be approved by our Chief Compliance Officer in advance of the transaction in an account, and we maintain the required personal securities transaction records per regulation.

### **Review of Accounts**

Client accounts with the Investment Management Service will be reviewed on a periodic basis by Micah Shilanski, CERTIFIED FINANCIAL PLANNER <sup>TM</sup>.

Clients will receive trade confirmations from the custodian for each transaction in their accounts as well as monthly or quarterly statements and annual tax reporting statements from their custodian showing all activity in the accounts, such as receipt of dividends and interest. SAAI may provide written reports to Investment Management clients.

### **Client Referrals and Other Compensation**

We do not receive any economic benefit, directly or indirectly from any third party for advice rendered to our clients. Nor do we directly or indirectly compensate any person who is not advisory personnel for client referrals.

**Other Products and Services Available to Us from Schwab.** Schwab Advisor Services (formerly called Schwab Institutional) is Schwab's business serving independent investment advisory

firms like us. They provide us and our clients with access to its institutional brokerage – 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 and grow our business. Schwab’s support services described below (in contrast to the Integrated Office, as described above under “Additional Compensation We Receive”) are generally available on an unsolicited basis (we don’t have to request them) and at no charge to us. 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.

### **Financial Information**

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about our financial condition. We have no financial commitment that impairs our ability to meet contractual and fiduciary commitments to clients, and we have not been the subject of a bankruptcy proceeding.