



Investment Advisory Services Disclosure Brochure

Dated: March 30, 2017

This brochure provides information about the qualifications and business practices of Sontag Advisory, LLC. If you have any questions about the contents of this brochure, please contact us at (212) 973-1200 or compliance@sontagadvisory.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.

Registration as an investment adviser or any reference to being “registered” does not imply a certain level of skill or training. Additional information about Sontag Advisory, LLC also is available on the SEC’s website at www.adviserinfo.sec.gov.

295 Madison Avenue, 5th Floor
New York, NY 10017
Phone: 212-973-1200
www.sontagadvisory.com

Form ADV Part 2A

Item 2 Material Changes

This Disclosure Brochure replaces the brochure dated April 8, 2016. There are no material changes to report since the firm's April 8, 2016 annual ADV filing.

However, please note that the Department of Labor's Fiduciary Rule affecting Rollover IRAs is going into effect on June 9, 2017. This brochure contains a disclosure addressing these new rules, which can be found on pages 7-8 below.

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Item 4 Advisory Business

Firm Description and Principal Ownership

Sontag Advisory, LLC (“SA”) is an SEC-registered investment advisor providing wealth management, investment advisory and financial consulting for individuals, businesses, non-profit organizations and foundations. Our role is to listen, inform and advise. We take a holistic, relationship-driven approach to helping our clients develop customized solutions that address a full range of financial issues. Our investment strategy is focused on each client’s long-term goals and risk tolerance.

The firm was founded in 1995 by Howard Sontag. As of January 16, 2015, the firm has ten advisors and total staff of forty individuals. SA is owned by NFP Corp. (previously known as National Financial Partners, Corp.) (“NFP”), which also owns other registered investment advisers, broker-dealers, insurance agencies and other product and service providers. Although the firm is wholly owned by NFP, the firm is managed by the original principals and is run in all material respects as a private and independent advisory firm.

Howard Sontag is the firm’s Senior Managing Director; Donna Levy, Michael Delgass, Craig Fasano, Martha Staniford and Eric Sontag are the firm’s Managing Directors and executives.

Assets Under Management

As of March 30, 2017, SA has the following regulatory assets under management:

	Accounts	Assets
Discretionary	1157	\$4,790,646,244
Non-discretionary	0	0
Total	1157	\$4,790,646,244

Services Offered to Individual Clients

SA offers a suite of wealth management services, which may include one or more of the following, depending on each client’s specific engagement:

Investment Advisory

- Evaluation of current portfolio
- Assessment of investment objectives and financial goals
- Asset allocation planning
- Separate Account Manager research and selection
- Investment program implementation and rebalancing
- Portfolio monitoring and risk management
- Performance measurement

Financial Planning and Consulting

- Portfolio monitoring and advice regarding assets not managed by SA
- Insurance planning
- Estate and wealth transfer planning
- Retirement planning

- Education planning
- Philanthropic and charitable gift planning

Comprehensive Reporting

- Unique reporting service complementing standard statements provided by the account custodian
- Customized periodic statements aggregating all invested (and sometimes fixed or illiquid) assets - even those not managed by SA
- Portfolio performance, asset class returns, annual income and investment flows are consolidated on one easy-to-understand page

Tax Reporting

- Tax reporting service to assist our clients' tax professionals
- Firm provides annual "tax packages" to clients and/or their accountants
- Tax packages include reports and summaries detailing: cost basis, fees, gain/loss, interest, dividends, distributions and charitable contributions, among other information

Asset Allocation and Account Customization

SA tailors its services to the individual investment needs of its clients by determining each client's specific goals, objectives, risk tolerance, time horizon, investment restrictions and other considerations that might impact the client's investment needs. Based on this determination of a client's investment profile, SA generally implements an investment program grounded on one of its various portfolio guidelines (described below in Item 8 under Key Portfolio Guidelines/Investment Strategies). As agreed with each client individually, this program may take into account the allocation of the client's assets not placed under SA's management (*e.g.* cash holdings, 401k balances, assets placed with other investment advisors/managers, limited partnerships, business interests, individual securities holdings, employee stock options, real estate, *etc.*). Generally, SA's intention is to manage investments to provide the client with an overall asset allocation (including assets outside SA's investment purview, if agreed) matching as closely as possible the client's investment profile. The firm may make accommodation for a client's reasonable investment restrictions, where practicable.

Investment Selection - Separate Account Managers

SA may recommend the allocation of a portion of a client's investment assets among one or more unaffiliated independent investment managers ("Separate Account Manager") in accordance with the client's designated investment objectives. In such situations, the Separate Account Manager shall have day-to-day responsibility for the active discretionary management of the allocated assets. SA shall continue to render Investment Advisory services to the client relative to the ongoing monitoring and review of account performance, asset allocation and client investment objectives. Factors which SA shall consider in recommending Separate Account Managers include the client's designated investment objectives, management style, performance, reputation, financial strength, reporting, pricing, and research. SA maintains a disciplined research and due diligence process to identify Separate Account Managers suitable for client investment and also maintains ongoing annual due diligence and review over the recommended firms. Before a client establishes an account with a Separate Account Manager, the client shall also receive the Separate Account Manager's written disclosure statement specifying its fees and services.

SA maintains sub-advisory arrangements with the Separate Account Managers it recommends for client portfolios. This means that SA has discretionary authority to hire and/or fire the Separate Account Manager on behalf of Client and also results in some operational efficiencies regarding the opening and closing of accounts as well as communicating transaction details. Where a Separate Account Manager acts as in a sub-advisor capacity to SA, the Separate Account Manager charges its own advisory fee

which is deducted from Client's account at the customary billing intervals, but does not separately pay a referral fee to SA. Rather, the amounts placed with the Separate Account Manager are grouped together with the client's other assets managed directly by SA and are billed in accordance with the client's fee schedule.

Financial Planning and Consulting Services

Generally, SA provides financial planning services. The firm also provides consulting services (including investment and non-investment related matters such as estate planning, insurance planning, asset allocation of client assets not managed by SA, evaluation of private investment funds, *etc.*). Depending on individual circumstances and solely at SA's discretion, these services may be included in the client's investment advisory fee or may be billed on a separate fixed-fee basis. **Please Note:** Our services are not intended to replace any tax, legal or accounting advice from a tax/legal/accounting professional.

As an accommodation when asked, SA may recommend the services of qualified professionals for certain non-investment implementation purposes (*e.g.* attorneys, accountants, insurance agents, *etc.*). Clients are encouraged to make their own decisions and are under no obligation to engage the services of any such recommended professional. The client retains absolute discretion and is free to accept or reject any recommendation from SA. **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 SA of any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising SA's previous recommendations and/or services.

SA Core Program

The SA Core Program is a lower-fee investment advisory service pairing the efficiencies of an online-only investment platform with certain aspects of SA's full-service advisory offering. The SA Core Program, hosted by Schwab Institutional Intelligent Portfolios ("SIIP"), offers a number of model portfolios maintained by SA's investment team and segmented by a variety of investor profiles based on risk tolerance, investing style and other relevant factors. While SA's investment team designs the model portfolios and may change some of the investments offered within those model portfolios from time to time as conditions may warrant, SA has no discretionary authority over these assets. Certain of SA's traditional wealth management services may be unavailable through the SA Core Program.

Trustee Services

Certain of SA's principals may, upon client request, serve as trustee for various types of trusts set up by clients. The firm's principals offer these services at their sole discretion on a limited, case-by-case basis.

The firm's trustee services include the execution of trust duties, as well as the administrative functions necessary to support the fiduciary responsibilities of the trustee. This service is separate and apart from the investment advisory services and is subject to a separate fee. Trustee services include (as applicable):

- Maintaining calendar for trust distributions and payments, including: mandatory distributions of income and/or principal to beneficiaries, tax payments, tax estimates, trustee and administrative fee payments
- Ensuring timely distribution of assets or monies required under the terms of the trust
- Communication with beneficiaries to ensure a smooth administrative process
- Making tax payments and estimated payments as required
- Distributing K-1s to beneficiaries

- Coordinating with other trusted advisors to create comprehensive tax and financial planning
- Maintaining debt schedules for promissory notes as required
- Monitoring the Trust's investment portfolio to ensure proper implementation given the time horizon and risk profile of the trust
- Reviewing tax returns prepared by trust's accountant

Trust Reporting Services

Through its relationship with its custodians, SA may provide trust reporting services to the trusts where it serves as trustee or those trusts it manages for trustees not affiliated with the firm. Trust reporting services are an important tool to eliminate manual processes for trust accounting, and include:

- Detailed trust accounting, including automated separation of principal and income
- Calculation of distributions to beneficiaries and third parties
- Recordkeeping of illiquid assets owned by the trust

Client Retirement Plan Assets

SA also provides investment advisory services relative to the client's 401(k) plan assets upon request. In such event, SA shall allocate (or recommend that the client allocate) the retirement account assets among the investment options available on the 401(k) platform. **Please Note:** SA's services shall be limited to the allocation of the client's assets among the investment alternatives available through the plan. SA will not receive any communications from the plan sponsor or custodian, and it shall remain the client's exclusive obligation to notify SA of any changes in investment alternatives, restrictions or other relevant or material information pertaining to the retirement account.

IRA Rollovers

In appropriate circumstances, SA may recommend that a client roll over an account held in a former employer's retirement plan to Individual Retirement Account ("IRA") for SA to manage. If the client elects an IRA rollover subject to SA's management, the account will be subject to SA's advisory fee per the client's Investment Advisory Agreement.

Conflict of Interest: Under new Department Of Labor ("DOL") rules, a financial advisor's recommendation to rollover retirement plan assets into an IRA presents a conflict of interest because such a recommendation may create an incentive to recommend the rollover for the purpose of generating additional compensation rather than solely based on the client's needs.

When SA recommends a rollover IRA, the client is never under any obligation, contractually or otherwise, to complete a rollover to have the rollover IRA assets managed by SA.

Many employers permit former employees to keep their retirement assets in the company plan. Also, some retirement plans may permit current employees to move assets out of the company plan before retiring or leaving the company. In determining whether to complete an IRA rollover, and to the extent the following options are available, you should consider their costs and benefits.

An employee will typically have four options:

- Leave the assets in the employer/former employer's plan;
- Transfer the funds to a new employer's retirement plan;
- Cash out and take a taxable distribution from the plan;
- Roll the funds into an IRA rollover account.

Each of these options has advantages and disadvantages and SA recommends that a client communicate with their CPA/tax attorney to consider them before making a change. Each client should consider the following relevant issues together with their SA advisor, as well as their tax and/or legal professional, before initiating a Rollover IRA:

- Determine whether the investment options in the employer's retirement plan address client's needs or whether other types of investments are needed.
 - Employer retirement plans generally have a more limited investment menu than IRAs.
 - Employer retirement plans may have unique investment options not available to the public such as employer securities, or previously closed funds.
- The employer plan may have lower fees than SA's fees.
 - If interested in investing only in mutual funds, client should understand the cost structure of the share classes available in employer's retirement plan compared to those available in an IRA.
 - Client should understand the various products and services that may be available through a Rollover IRA and the potential costs of those products and services.
- SA's recommended strategy may entail higher risk than the option(s) provided in client's plan.
- Client's current plan may also offer financial advice.
- Keeping assets titled in a 401k or retirement account may potentially delay a required minimum distribution beyond age 70 ½.
- For clients concerned about protecting assets from creditors, an existing 401k plan may offer more liability protection than a rollover IRA. Such legal protection may vary by state.
 - Generally, federal law protects assets in qualified plans from creditors. Since 2005, IRA assets have been generally protected from creditors in bankruptcies. However, there may be some exceptions to these general rules so an attorney should be consulted if concerned about protecting retirement plan assets from creditors.
- Loans may be available from the employer plan (although generally not to ex-employees); no loan available from an IRA.
- IRA assets can be accessed any time; however, distributions are subject to ordinary income tax and may also be subject to a 10% early distribution penalty unless qualifying for an exception such as disability, higher education expenses or the purchase of a home.
- If client own company stock in your plan, you may be able to liquidate those shares at a lower capital gains tax rate.
- Client's existing retirement plan may allow SA to be hired as the investment manager and to keep the assets titled in the plan name.

It is important that clients understand the differences between these types of accounts and to evaluate whether a rollover is best under the circumstances.

Insurance

While SA may provide insurance planning as part of a client's financial plan, SA does not sell insurance. None of SA's representatives are licensed insurance agents. SA may provide Client with recommendations of licensed insurance agents (some of whom may be affiliated with *NFP*) for the purchase of various types of insurance. SA no longer accepts or receives referral compensation from any of the firms to whom it refers clients. Prior to June 2013, SA's licensed representatives, in some circumstances, received compensation from insurance agencies/brokers referred by SA for the sale of life insurance policies purchased by SA clients. At no time has the purchase of an insurance policy through a referral source resulted in additional cost to the client.

Wrap Fee Program

SA does not offer a wrap fee program. A "wrap fee program" is a program under which Investment Advisory and brokerage execution services are provided for an annualized "wrapped" fee that is not based

on the number of transactions in a client's account. From time to time, SA may recommend investment with a Separate Account Manager which has its own wrap fee program.

Management of Collective Investment Vehicle

SA is affiliated with Sontag Special Opportunities Fund LP (the “*Fund*”), a private investment fund whose objective was to provide investors with an above long-term rate of return with less volatility than is typical for direct investments in equity markets by investing in a diverse portfolio of alternative investment strategies and vehicles. The *Fund* has been closed to new investors since 2008 and Sontag Advisory has not received any compensation from the fund since 2008. In January 2009, the *Fund* commenced an orderly liquidation process, which liquidation has been substantially completed but remains ongoing. Upon liquidation of its few remaining investments, the *Fund* will terminate its operations.

No Legal Services

Certain of SA’s employees may be licensed to practice law. However, no such persons provide legal services to any of SA’s clients, and no corresponding attorney-client relationship is established. This foregoing is provided for purposes of full disclosure and to emphasize that the fact that certain of SA’s employees may be licensed to practice law is not material to SA’s investment advisory business or services.

Services Offered to ERISA Plans

SA provides advisory services to retirement plans subject to the Employee Retirement Income Security Act of 1974, as amended (“ERISA”), including participant-directed defined contribution plans, such as 401(k) plans, defined contribution plans that are not participant-directed and defined benefit plans (“ERISA Plan Clients”). Each ERISA Plan Client is required to enter into an investment advisory or investment management agreement with SA describing the services that SA will perform for the ERISA plan and its participants (the “ERISA Plan Services Agreement”). SA provides both ERISA fiduciary services and non-fiduciary services to ERISA Plan Clients.

Fiduciary Services for ERISA Plan Clients

SA provides fiduciary services either as a discretionary investment manager or a non-discretionary investment adviser.

Discretionary Investment Management Services

SA provides investment management services to ERISA Plan Clients on a discretionary basis as an investment manager under ERISA Section 3(38) and in that capacity, SA’s investment decisions are made in its sole discretion without the ERISA Plan Client’s prior approval. Each ERISA Plan Client who engages SA to perform investment management services is required to enter into an investment management agreement. SA’s investment management services include developing and implementing an investment policy statement, selecting a broad range of investment options consistent with ERISA Section 404(c), making decisions about the selection, retention, removal and addition of investment options and if the ERISA Client has determined that the Plan should have a qualified default investment alternative (a “QDIA”) for participants who fail to make an investment election, selecting the investment that will serve as a QDIA.

Non-Discretionary Investment Advisory Service

SA also provides investment advisory services on a nondiscretionary basis and in that capacity, the ERISA Plan Client retains, and exercises, final decision-making authority and responsibility for the implementation (or rejection) of SA’s recommendations or advice. Each ERISA Plan Client who engages SA to perform nondiscretionary investment advisory services is required to enter into an investment

advisory agreement. SA's nondiscretionary investment advisory services include assisting the ERISA Plan Client in developing and implementing an investment policy statement and assisting the ERISA Plan Client in making decisions about the selection, retention, removal and addition of investments.

Non-Fiduciary Services for ERISA Plan Clients

SA's non-fiduciary services provided to ERISA Plan Clients include assisting in group enrollment meetings, educating plan participants about general investment principles and the investment alternatives under the plan and educating the ERISA Plan Client as to its fiduciary responsibilities. SA's non-fiduciary services also include assisting the ERISA Plan Client in monitoring, selecting and supervising service vendors and performing benchmarking studies and fee analysis.

For a more detailed description of SA's fiduciary and non-fiduciary services, the ERISA Plan Client should refer to the ERISA Plan Services Agreement.

Item 5 Fees and Compensation

Investment Advisory Services for Individuals

SA provides discretionary investment advisory services on a fee basis. The advisory fee is either an asset-based or a fixed annual fee, depending on circumstances.

The proposed fee rate and method of billing is negotiable, subject to many factors. The size, complexity and scope of the engagement are among the factors considered. Generally, new clients are charged the firm's tiered fee schedule (see below), whereby the fee reduces as certain asset thresholds are reached. As circumstances may warrant, SA may, charge an asset-based fixed rate or fixed dollar investment management fee (see below). **Please Note:** For accounts with a portfolio value of less than \$500,000 the effective fee may be more than 1.20%.

The annual fee is prorated and charged quarterly, in advance, based upon the market value of the assets being managed by SA on the last day of the previous quarter. The firm's various fee arrangements may be amended from time to time upon thirty (30) days written notice to Client.

Tiered "Waterfall" Fee Schedule

FEE SCHEDULE FOR MANAGED ACCOUNTS			
PORTFOLIO VALUE		FEE AT THIS TIER	TOTAL FEE AT TIER MAXIMUM
For the first	500,000	1.20%	1.20%
500,000	1,000,000	0.90%	1.05%
1,000,000	2,000,000	0.85%	0.95%
2,000,000	5,000,000	0.80%	0.86%

5,000,000	10,000,000	0.45%	0.66%
10,000,000	25,000,000	0.40%	0.50%
25,000,000	and above	0.30%	< 0.50%

Flat Rate or Fixed Dollar Amount Fee

In some circumstances, and in SA's sole discretion, SA may enter into a flat percentage rate investment advisory arrangement with new clients that generally will not exceed 1.20% annually of the assets under management. Alternatively, in limited circumstances and also in SA's sole discretion, the firm may agree upon an engagement for a fixed annual dollar fee for investment advisory services. The fee is determined on a variety of factors and is generally subject to a minimum of \$5,000.00, depending upon the level and scope of the services required and the professional rendering the services.

Client Retirement Plan Assets

In connection with advisory services provided to a client relative to their 401(k) or other retirement plan assets, SA may charge the client an advisory fee based on a number of factors as described above. The fee generally will be charged in a manner consistent with the client's prevailing fee structure (*e.g.* flat fee, flat percentage rate or tiered "Waterfall" schedule) but may be modified upon mutual discussion and agreement with the Client.

SA Core Program

SA charges a flat fee of 0.50% (50 basis points) for SA Core Program services. For existing clients exceeding a certain asset threshold, SA may agree to modify the fee. To the extent SA clients request services outside the scope of the SA Core Program, SA will charge an additional fee to be determined at that time.

Fee Differentials

As indicated above, SA prices its services based upon various objective and subjective factors. As a result, SA's clients may pay diverse fees based upon the market value of their assets, the complexity of the engagement, and the level and scope of the overall financial planning, reporting and/or consulting services to be rendered, among many other factors.

Separate Account Manager Fee Schedules

As described in Item 4, SA maintains a sub-advisory relationship with each of the firms it currently recommends for new investment. Before investing with any Separate Account Manager, clients are provided with the Separate Account Manager's Disclosure Brochure and fee schedule. Annual fees charged by Separate Account Managers vary, but generally range from 0.15% to 0.85% of the amount under management; these fees are in addition to SA's advisory fee.

Fee Calculation and Invoicing

SA calculates its fee on a quarterly basis in advance of the quarter. Where the fee is a percentage of the assets managed by the firm, SA will calculate the fee based upon the market value of the assets (as reported by the account custodian) in the client's applicable account(s) on the last business day of the previous quarter. Unless special arrangements are agreed upon with the client, SA's fee is debited directly from the client's account.

Upon inception of an account, the fee for the initial quarter of investment management services shall be calculated on a pro-rata basis, commencing on the day the assets are initially designated to SA for

management. The fee will be assessed together with the first full quarterly fee at the beginning of the next quarterly billing cycle.

The Investment Advisory Agreement between SA and the client will continue in effect until terminated by either party by written notice in accordance with its terms. Upon termination, SA shall refund, within a reasonable amount of time, the pro-rata portion of the advanced SA fee paid based upon the number of days remaining in the billing quarter.

Brokerage/Custodians for Client Accounts

Unless a client's circumstances require (*e.g.* existing trust assets), SA shall generally recommend that Charles Schwab and Co., Inc. ("Schwab"), Fidelity Investments ("Fidelity") and/or Pershing Advisor Services ("Pershing") serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as Schwab, Fidelity and Pershing charge brokerage commissions and/or transaction fees for effecting certain securities transactions (*e.g.* transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and fixed income securities transactions). SA has negotiated for clients reasonable transaction fees with these entities, which also provide SA clients with access to a wide array of non-transaction fee mutual funds.

SA's fees are exclusive of, and in addition to, charges imposed by the custodians/broker-dealers, separate account managers and the internal expenses of mutual funds and/or exchange-traded funds (ETFs). In addition, on some occasions, certain transactions may be subject to transfer taxes, wire transfer and electronic fund fees and other fees or taxes imposed on brokerage accounts or securities transactions. SA does not determine or receive any portion of any such fees to which client accounts may be subject.

Financial Planning and Consulting Services

SA's planning and consulting fees are generally subject to a fee to be determined in each applicable circumstance. On a case-by-case basis and at SA's sole discretion, financial planning and other consulting services may be included in the investment advisory fee. This determination generally depends upon a number of factors, including (but not limited to) the size, complexity and scope of the engagement.

Although SA primarily provides financial planning and/or consulting services to Investment Advisory clients, it may, in its sole discretion, provide such services (including investment and non-investment related matters, including estate planning, insurance planning, *etc.*) on a stand-alone separate fixed-fee basis. SA's planning and consulting fees are variable, but generally are subject to a minimum fee of \$5,000.00, depending upon the level and scope of the services required and the professional rendering the service(s).

Trustee Services

As described in Item 4 above, certain of SA's principals may, upon client request, serve as trustee for various types of trusts set up by clients. The fee for trustee services is variable depending on the type of trust, the terms of the trust document, the scope of the trustee's duties and applicable state law.

SA's fee for having one of its advisors serve as trustee generally will not exceed 0.60% annually of the trust assets under management. For trusts subject to another fee arrangement, the trustee services fee is variable, but generally subject to a minimum fee of \$5,000. SA may, at its sole discretion, elect to waive its trustee fee. Other fees for necessary and customary third party professional services (such as legal and accounting fees) are not included and are incurred separately by the trust.

ERISA Plans

SA may agree to provide investment advisory services to different types of ERISA plans. The advisory fee charged to ERISA plans may be either an asset-based or a fixed annual fee, depending on circumstances and the type of ERISA plan. The advisory fee charged to participant-directed ERISA plans (e.g. 401(k) or 403(b) plans) shall generally not exceed 60 basis points (0.60%) annually of the total value of the ERISA plan. For other types of plans such as defined benefit plans where SA manages the plan's assets directly, one of the firm's billing arrangements outlined above is generally applicable.

ERISA plans shall be billed quarterly, in advance, as described above, unless an alternate agreement is reached between the parties.

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

SA does not charge any performance-based fees, which are fees based on a share of capital gains on or capital appreciation of a client's assets. The firm does not conduct side-by-side management.

Item 7 Types of Clients

SA provides investment management, financial planning, tax planning, education planning, estate planning and general consulting services to individuals, trusts, estates, small businesses, foundations, charitable organizations and small-business ERISA plans.

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

Investment Philosophy

The firm's mission is to help our clients achieve their medium-to-long-term financial goals. SA employs an investment team whose primary responsibility and focus is to continuously research for new opportunities and monitor/evaluate existing investments. The firm's investment professionals incorporate institutional discipline into its investment and risk management processes by following a coherent and consistent investment philosophy. The key tenets of SA's investment philosophy emphasize:

- Managing risk with highly diversified portfolios that feature a broad range of asset classes and market sectors
- Continual evaluation of how an individual investment decision may impact a broader portfolio
- Maintaining portfolios with "simple" and liquid investments – no investment in hedge funds, private investment vehicles or illiquid securities
- Minimizing portfolio changes and turnover

Key Portfolio Guidelines/Investment Strategies

SA has developed a range of portfolio guidelines to fit client investment profiles varying from Ultra Conservative to Aggressive. These portfolio guidelines have been developed to meet the needs of various types of investors having different time horizons, financial goals, investing philosophy, tax considerations, cash needs and risk appetite. Central to each portfolio guideline is that it is developed through the investment team's comprehensive quantitative and qualitative research (described below), in keeping with the key tenets of the firm's investment philosophy. The primary difference between each portfolio guideline is the risk/reward profile, as determined by that portfolio guideline's asset allocation. For instance, over sufficiently long time horizons, the Ultra Conservative portfolio is expected to have a lower volatility profile than the Aggressive Portfolio due to its higher allocation to fixed income and lower allocation to equities.

Methods of Analysis and Investment Selection

For clients in the traditional Comprehensive service model: Based on the initial client portfolio analysis and client-approved investment plan, SA is granted limited discretionary authority to implement the recommended investment strategies. Unless the client and advisor agree upon exceptions, the firm primarily invests client portfolios in a mix of active and passive mutual funds, ETFs and Separate Account Managers. Investments are selected based on both quantitative and qualitative analysis. Some of the key quantitative and qualitative factors are:

Quantitative Analysis

- Historical return and volatility profile of the manager
- Historical correlation of that manager to various asset classes
- Manager fees and liquidity
- The impact that adding a manager would have on our model portfolios

Qualitative Analysis

- Examination of the manager's investment process
- Assessment of the manager's risk management process
- Understanding how the manager's investment team operates

For clients in the SA Core Program: SA implements passive portfolios using Schwab Institutional Intelligent Portfolios® ("SIIP") technology. SA is responsible for designing the model portfolios and is able to change the investment structure at any time. Core client model portfolios are currently limited to ETFs, although this may change over time as the underlying technology changes. Investments are selected based on both quantitative and qualitative analysis, similar to what is described above.

Risks of Loss

Investment Risk. Investing in securities involves many inherent risks, including the risk of loss that clients should be prepared to bear. Investments managed by SA are no exception. Securities fluctuate in value, depending on many factors that are unpredictable and outside of SA's control. There is no guaranty that the future performance of any specific investment or investment strategy recommended or undertaken by SA will be profitable or will equal any specific performance level.

Asset Allocation Risk. The allocation of investments among various asset classes for client accounts is primarily invested in equities, fixed-income securities and short-term cash equivalents. These asset classes may increase or decrease in value at different times or may all move together at any particular time. While a goal of this diversification is to reduce risk, that result is not assured. The asset allocation of your account has a significant effect on your account performance.

Mutual Funds and Exchange Traded Funds (ETFs). An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (*e.g.*, sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed-based ETFs and more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 50,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

Interest Rate Risk. Many investments are subject to interest rate risk, which is the risk that the value of a security will decline because of a change in general interest rates. Investments subject to interest rate risk will usually decrease in value when interest rates rise and rise in value when interest rates decline. Also, securities with long maturities typically experience a more pronounced change in value when interest rates change. Interest rate risk most directly affects the value of fixed income securities, but many equity securities can also change in value due to changes in interest rates.

Credit Risk. Fixed income investments are subject to credit risk. An issuer's credit quality depends on its ability to pay interest on and repay its debt and other obligations. Defaulted securities (or those expected to default) are subject to additional risks in that the securities may become subject to a plan of reorganization that can diminish or eliminate their value. The credit risk of a security may also depend on the credit quality of any bank or financial institution that provides credit enhancement for the security.

Inflation Risk. This is the risk that the value of assets or income from investments will be less in the future as inflation decreases the value of money. As inflation increases, the real value of your assets may decline, and income earned may have less value.

Market Risk. Markets can trade in random or cyclical price patterns, and prices can fall over sustained periods of time. The value of the investments in your account will change as markets fluctuate and could decline over short- or long-term periods. Due to the structure of client portfolios, it is likely that the performance of client accounts will differ from standard published indices.

Margin Risk. Generally, SA recommends the use of margin for investment purposes only in limited, case-by-case circumstances and does not use margin in its portfolio models. The use of margin as an investment strategy creates a high level of inherent risk. A margin transaction occurs when an investor uses borrowed assets to purchase financial instruments. The investor generally obtains the borrowed

assets by using other securities as collateral for the borrowed sum. The effect of purchasing a security using margin is to magnify any gains or losses sustained by the purchase of the financial instruments on margin.

For More Information About Risks

Current and prospective clients are encouraged to ask their advisor any questions they may have about these or other risks associated with investing.

Item 9 Disciplinary Information

Registered investment advisors are required to disclose all legal or disciplinary events that are material in a client's evaluation of the firm or the integrity of its management. SA has not been the subject of any disciplinary action.

Item 10 Other Financial Industry Activities

SA's primary business is as an investment advisor as described in this brochure. It is not a broker-dealer and none of its representatives are registered or are contemplating registration with a broker-dealer. The firm and its representatives receive no commissions for the sale of any securities.

Affiliations

SA is owned by NFP, a provider of benefits, insurance and wealth management services NFP ("*NFP Affiliates*"). With the exception of occasionally referring clients to insurance agents affiliated with NFP Insurance Services, Inc., SA does not conduct any business with any of the *NFP Affiliates*. **Please Note:** A full list of NFP Affiliates is available upon request.

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

Code of Ethics

SA maintains an investment policy relative to personal securities transactions. This investment policy is part of SA's overall Code of Ethics, which serves to establish a standard of business conduct for all of SA's personnel that is based upon fundamental principles of openness, integrity, honesty and trust. The firm's policy, in accord with Section 204A of the Investment Advisers Act of 1940, contains written policies reasonably designed to prevent the unlawful use of material non-public information by SA or any of its personnel. A copy of the firm's Code of Ethics is available upon request. For example, the firm's Code of Ethics:

- Requires certain of SA's personnel (called "Access Persons") to report their personal securities holdings and obtain pre-approval of certain investments
- Prevents the misuse of material non-public information by any person associated with SA
- Prohibits the recommendation, purchase or sale for client accounts any securities in which SA or any of its related persons has a material financial interest.

Generally, SA invests client funds in mutual funds and ETFs. Any assets allocated to Separate Account Managers are invested exclusively by that manager, without any input from SA as to the specific securities to be purchased or sold. SA's personnel are permitted to buy or sell securities that are also recommended to clients. Because the firm does not purchase individual securities for client accounts (except for ETFs that are used as a mutual fund alternative), SA believes that its personnel are not in a position to potentially materially benefit from the sale or purchase of those securities, including exchange

traded funds given the underlying composition thereof (*i.e.*, a pooled investment vehicle comprised of numerous individual securities selected at the discretion of the fund manager).

Trade Error Policy

SA strives to minimize the occurrence of trade errors. In the event of a trade error, it is SA's policy to return the client to an equivalent or comparable position had the trade error not occurred.

Item 12 Brokerage Practices

Recommended Custodian Broker-Dealers

SA generally recommends that investment management accounts be maintained at Schwab, Fidelity, and, beginning in 2015, Pershing Advisor Solutions ("Pershing"). Factors that SA considers in recommending these custodians include their respective historical relationship with SA, financial strength, reputation, execution capabilities, pricing, research capabilities, breadth of additional financial services (*e.g.* mortgage, private banking, trust accounting) and client service. Each custodian enables SA to obtain for client portfolios many mutual funds without incurring transaction charges and other securities at nominal transaction charges. Although generally not the case because SA has negotiated what it believes to be the lowest rates offered by each custodian, the commissions and/or transaction fees charged by any particular custodian may be higher than those charged by other qualified custodian broker-dealers.

SA has determined in good faith that the commission/transaction fees charged by Schwab, Fidelity and Pershing are reasonable in relation to the value of the brokerage and research services received. We believe that each firm meets the criteria of providing the best qualitative execution of client transactions, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, SA's investment management fee. SA'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.

Research and Additional Indirect Economic Benefits

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, SA may receive discounted or free support services and/or products from one or more custodians which assist SA to better service client accounts maintained at such institutions. Examples of such support services are: 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, and discounted or gratis consulting services, attendance at conferences, meetings, and other educational events.

- **Conflict of Interest:** The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services presents a conflict of interest because it may create an incentive to receive the benefits without cost to SA.
- **Conflict of Interest:** In 2015, SA will be implementing Tamarac Advisor View, a software program that provides portfolio analysis, flexible reporting and extensive billing capabilities. Advisor View is being implemented solely for the purpose of providing better service to client accounts. Advisor View features the Schwab Intelligent Program as its centerpiece. Schwab Advisor Services has agreed to discount the implementation cost of the Schwab Intelligent Program by \$50,000. This is a one-time benefit to offset

the cost of valuable software used solely for the benefit of servicing client accounts; nevertheless, the discount presents a conflict of interest because it may be viewed as an incentive for SA to recommend Schwab's services to clients.

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

In any event, SA's clients do not pay more for investment transactions effected and/or assets maintained at any of the recommended custodians as a result of any support SA may receive from those firms. SA has negotiated for clients reduced transaction fees (from published rates) with each custodian, and has access to a wide array of non-transaction fee mutual funds through each firm. SA has made no corresponding commitment to any custodian to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of any of the above arrangements.

Directed Brokerage

SA does not generally offer directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). Upon client request, we may allow such client directed arrangements with the understanding that the client will negotiate terms and arrangements for their account with that broker-dealer. In such cases, SA is not obligated to, and will not, seek better execution services or prices from other broker-dealers. As a result, client may pay higher commissions or other transaction costs, may receive less favorable net prices or may be subject to greater spreads on transactions for the account than would otherwise be the case.

Aggregated or "Batch" Trading

Transactions for each client account are effected independently and the firm does not aggregate the purchase or sale of securities. To the extent that SA's investment team implements investment changes to the SA Core Program model portfolios, such changes may trigger sale and purchase transactions in client portfolios, but such trades are not under SA's trading discretion rather the trades are effected automatically by Schwab, which hosts the SA Core Program platform.

Item 13 Review of Accounts

SA's advisors conduct ongoing account review for Investment Advisory clients, and generally prefer to personally meet and/or correspond with clients on an as-needed basis. Clients are reminded that it remains their responsibility to advise SA of any changes in their investment objectives and/or financial situation. Clients are encouraged to review financial planning issues, investment objectives and account performance with SA on an annual basis.

The account custodians directly provide each client with transaction confirmation notices and regular written summary account statements directly. In addition, SA provides clients with periodic statements summarizing account activity and performance. If participating in SA's consolidated reporting service described in Item 4 above, statements provided by SA may also include some or all of their asset portfolios, including assets not managed by SA. Clients should always rely on the statement received from the custodian broker-dealer for all official valuation and tax information.

Item 14 Client Referrals and Other Compensation

Recommended Custodians

As described in Item 12, SA may receive an indirect economic benefit from Schwab, Fidelity and/or Pershing for recommending those firms as custodians for client accounts. These indirect benefits generally consist of discounted or free support services and/or products which help the firm better serve clients (*e.g.* investment research, dedicated support team, *etc.*).

Hard Dollars/Soft Dollars

With the exception of a one-time discount to be received from Schwab in 2015 per the conflict of interest disclosure in Item 12, SA receives no direct economic benefit from any custodian because the firm does not participate in any “hard dollar” or “soft dollar” programs offered by the custodians. Past participation in such programs was fully disclosed to clients in consideration of a potential conflict of interest. At no time during its participation in these “hard dollar” or “soft dollar” programs did SA make any corresponding commitment 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 arrangement.

Item 15 Custody

General

Generally, the account custodian will debit SA’s fee for each client 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 (Schwab or Fidelity) and/or program sponsor for the client accounts. SA provides each client with a periodic statement summarizing account activity and performance.

Trustee Services

When one of the firm’s advisors acts as a trustee for client trusts, accepts an appointment as executor of an estate, or exercises a General Power of Attorney over client accounts, SA is deemed to have custody of client funds and securities. As a protection for clients whose assets are under SA’s custody, Rule 206(4)-2 under the Investment Advisers Act of 1940 requires the firm to be subject to an annual surprise examination by a qualified accounting firm. SA’s most recent custody examination to inspect and verify trust assets was conducted by Marcum LLP and its report was filed with the SEC in October 2014. The report is available upon request.

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

Item 16 Investment Discretion

SA provides Investment Advisory services on a discretionary basis (except for clients participating in the the SA Core Program). Discretionary authority means that SA may exercise investment discretion over a client’s account where it can effect transactions for the client without first having to seek the client’s consent. The firm’s *Investment Advisory Agreement* provides a power-of-attorney for the limited purpose of providing SA with full authority to purchase, sell, or otherwise effect investment transactions involving the assets in the client’s discretionary account(s).

Clients may request, in writing, a reasonable limitation on this authority (e.g. limit the types/amounts of particular securities purchased for their account), which limitation will be accommodated where practicable. SA's discretionary authority extends to the following responsibilities:

- The amount and type of securities to be purchased or sold
- When transactions are made
- The Separate Account Managers to be utilized or discontinued

Item 17 Voting Client Securities

Proxy Voting

SA does not accept responsibility for proxy voting for client accounts. Unless a Separate Account Manager assumes proxy voting responsibility for client assets, clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities 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. Clients will receive their proxies or other solicitations directly from their custodian. Clients may contact SA to discuss any questions they may have with a particular solicitation.

Class Action Lawsuits Related to Securities Owned by Clients

The firm will not manage the filing of class action forms on behalf of clients, unless agreed with the client in exceptional circumstances. Since July 2013, the firm has contracted with Chicago Clearing Corp. ("CCC") to provide such services to clients who voluntarily opt-in to this service. CCC charges a fee of 20% of the recovery amount for each class action lawsuit. SA is not related to CCC in any way and does not receive any compensation related to CCC's services and has entered into this arrangement solely for the benefit of clients.

Item 18 Financial Information

Registered investment advisors are required to provide clients with financial information or disclosures about their financial condition under circumstances that are not applicable to SA. SA is financially sound and does not have any financial condition that would impair its ability to meet contractual or fiduciary commitments to clients.

SA's Chief Compliance Officer, Robert K. Ross, is available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.