

## **The Proper Analysis Corporation**

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### **FORM ADV PART 2A BROCHURE**

**This brochure provides information about the qualifications and business practices of The Proper Analysis Corporation. If you have any questions about the contents of this brochure, please contact us at 216-595-3842. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Additional information about The Proper Analysis Corporation is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for The Proper Analysis Corporation is 110615.**

**The Proper Analysis Corporation is a registered investment adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.**

## Item 2 Summary of Material Changes

Form ADV Part 2 requires registered investment advisers to amend their brochure when information becomes materially inaccurate. If there are any material changes to an adviser's disclosure brochure, the adviser is required to notify you and provide you with a description of the material changes.

Since our last annual updating amendment dated March 23, 2016, we amended our disclosure brochure to include additional detail regarding our advisory business at the end of Item 4, including information regarding our services, ERISA plan engagements, potential conflicts of interest, unaffiliated private funds, the use and liquidity constraints of mutual funds, client obligations, and investment risk. We have also amended the details within Item 12 Brokerage Practices and clarified our practices related to instances where clients may request we recommend a broker-dealer/custodian. In addition, we will now be responsible for voting client proxies, whereas in the past we did not vote proxies on behalf of advisory accounts. (**However**, the client will continue maintain exclusive responsibility for all legal proceedings or other types of events).

## Item 3 Table of Contents

Item 1 Cover Page .....	1
Item 2 Summary of Material Changes.....	2
Item 3 Table Of Contents .....	3
Item 4 Advisory Business .....	4
Item 5 Fees and Compensation .....	8
Item 6 Performance-Based Fees and Side-By-Side Management .....	8
Item 7 Types of Clients.....	9
Item 8 Methods of Analysis, Investment Strategies and Risk of Loss .....	9
Item 9 Disciplinary Information.....	10
Item 10 Other Financial Industry Activities and Affiliations .....	10
Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	10
Item 12 Brokerage Practices.....	11
Item 13 Review of Accounts.....	13
Item 14 Client Referrals and Other Compensation .....	13
Item 15 Custody.....	14
Item 16 Investment Discretion .....	14
Item 17 Voting Client Securities .....	14
Item 18 Financial Information.....	15
Item 19 Requirements for State-Registered Advisers .....	15
Item 20 Additional Information.....	15

## Item 4 Advisory Business

### Description of Services and Fees

We are a registered investment adviser based in Beachwood, Ohio. We are organized as a sub-Chapter S corporation under the laws of the State of Ohio. We have been providing investment advisory services since 1993. William Proper and Anne Ogan are our firm's owners.

The following paragraphs describe our services and fees. Please refer to the description of each investment advisory service listed below for information on how we tailor our advisory services to your individual needs. As used in this brochure, the words "we", "our" and "us" refer to The Proper Analysis Corporation and the words "you", "your" and "client" refer to you as either a client or prospective client of our firm. Also, you may see the term Associated Person throughout this brochure. As used in this brochure, our Associated Persons are our firm's officers, employees, and all individuals providing investment advice on behalf of our firm.

### Portfolio Management Services

We offer discretionary portfolio management services. Our investment advice is tailored to meet our clients' needs and investment objectives. If you retain our firm for portfolio management services, we will contact you to determine your investment objectives, risk tolerance, and other relevant information (the "suitability information") at the beginning of our advisory relationship. We will use the suitability information we gather to develop a strategy that enables our firm to give you ongoing and focused investment advice and/or to make investments on your behalf. As part of our portfolio management services, we may customize an investment portfolio for you in accordance with your risk tolerance and investing objectives. Once we construct an investment portfolio for you, or select a model portfolio, we will monitor your portfolio's performance on an ongoing basis, and will rebalance the portfolio as required by changes in market conditions or in your financial circumstances.

If you participate in our discretionary portfolio management services, we require you to grant our firm discretionary authority to manage your account. Discretionary authorization will allow our firm to determine the specific securities, and the amount of securities, to be purchased or sold for your account without your approval prior to each transaction. Discretionary authority is typically granted by the investment advisory agreement you sign with our firm, a power of attorney, or trading authorization forms. You may limit our discretionary authority (for example, limiting the types of securities that can be purchased for your account) by providing our firm with your restrictions and guidelines in writing.

Our fee for portfolio management services is based on a percentage of your assets we manage and is set forth in the following blended fee schedule:

Annual Rate	Billing Assets	Portfolio Totals
1.00%	for the first \$500,000 of assets	\$ 200,000 - \$ 500,000
0.90%	on the next \$500,000 of assets	\$ 500,001 - \$ 1,000,000
0.80%	on the next \$1,000,000 of assets	\$ 1,000,001 - \$ 2,000,000
0.70%	on the next \$3,000,000 of assets	\$ 2,000,001 - \$ 5,000,000
0.30%	on the next \$5,000,000 of assets	\$ 5,000,001 - \$ 10,000,000

Rates on assets above \$10,000,000 are negotiable.

We retain the right in certain circumstances (such as for non-profit institutions or charities) to negotiate rates that differ from the above table. ERISA plans with self-directed participant accounts that utilize model portfolios that are designed by our firm are subject to the normal fee schedule above less a 15% discount for those choosing the models. Fees on substantial additions to your portfolio are prorated, ("substantial" additions are usually deemed at exceeding 10%). Fees on withdrawals in excess of 10% are pro-rated for reimbursement.

Management fees are calculated and billed quarterly. Fees are payable quarterly in advance based on the value of your portfolio on the last day of the previous quarter.

If the investment management agreement is executed at any time other than the first day of a calendar quarter, our fees will apply on a pro rata basis, which means that the advisory fee is payable in proportion to the number of days in the quarter for which you are a client.

At our discretion, we may combine the account values of family members living in the same household to determine the applicable advisory fee. For example, we may combine account values for you and your minor children, joint accounts with your spouse, and other types of related accounts. Combining account values may increase the asset total, which may result in your paying a reduced advisory fee based on the available breakpoints in our fee schedule stated above.

We will send you an invoice for the payment of our advisory fee, or we will deduct our fee directly from your account through the qualified custodian holding your funds and securities. We will deduct our advisory fee only when you have given your custodian written authorization permitting the fees to be paid directly from your account. Further, the qualified custodian will deliver an account statement to you at least quarterly. These account statements will show all disbursements (including our fees) from your account. You should review all statements for accuracy.

You may terminate the portfolio management agreement upon 30-days' written notice to our firm. You will receive a pro rata reimbursement as outlined in the investment management agreement, which means you will incur advisory fees only in proportion to the number of days in the quarter for which you are a client. Because you will have pre-paid advisory fees that we have not yet earned, you will receive a prorated refund of those fees.

We encourage you to reconcile our invoices with the statement(s) you receive from the qualified custodian. If you find any inconsistent information between our invoice and the statement(s) you receive from the qualified custodian, please call our main office number located on the cover page of this brochure.

### **Other Services**

In certain circumstances we may charge a negotiated fee to review and make periodic recommendations to you for retirement plan elections where your account is not custodied at a broker-dealer with whom we have a relationship. In this case we will provide recommendations to you regarding your retirement plan investments that are based on your overall asset allocation. We will monitor these accounts on a quarterly basis and will continue to make recommendations where appropriate to ensure that your retirement account remains aligned with your overall stated financial objectives. You will be solely responsible for implementing these recommendations. Fees for this service are based on the schedule listed above for portfolio management.

We also offer consulting services whereby we will provide a professional opinion on specific financial related areas (i.e. researching costs basis information or analyzing annuity contract choices). These consulting services are billable at an hourly rate of \$45 per hour. Fees are payable at the conclusion of each session.

## **Types of Investments**

We invest clients' assets primarily in no-load mutual funds and exchange traded funds. These highly liquid investments can be converted to cash in one to three business days. Partnership interests may be appropriate for some clients' portfolios. If clients invest in partnerships, they will be presented with disclosure as to the fees and liquidity constraints of those securities.

You may request that we refrain from investing in particular securities or certain types of securities. You must provide these restrictions to our firm in writing.

## **Assets Under Management**

As of December 31, 2016 we managed \$273,370,155 in client assets on a discretionary basis and \$52,125,589 in client assets on a non-discretionary basis.

## **Miscellaneous**

### No Financial Planning or Implementation Services

We **do not** hold ourselves out as providing financial planning or related consulting services regarding non-investment related matters, such as estate planning, tax planning, insurance, etc. **Please Note:** We **do not** serve as an attorney, accountant, or insurance agency, and no portion of our services should be construed as same. Accordingly, we **do not** prepare estate planning documents, tax returns or sell insurance products. To the extent requested by a client, we may recommend the services of other professionals for certain non-investment implementation purposes, including firm founder, William D. Proper, CPA, in his separate licensed capacity as a certified public accountant with, and a shareholder of, Pease & Associates ("Pease"), a Cleveland-based accounting firm (**See** Item 10 below). The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation that we make. Any engagement of Pease shall be separate and independent of our services, per the terms and conditions of a separate engagement between the client and Pease. There is no fee sharing arrangement between our firm and Pease. No client is under any obligation to engage Pease to provide accounting-related services. Given Mr. Proper's association with Pease, the recommendation that a client engage Pease's services presents a **conflict of interest**. **Please Note:** If the client engages any unaffiliated recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional.

### ERISA Plan Engagements

We may be engaged to provide investment advisory services to ERISA retirement plans, whereby the Firm shall manage Plan assets consistent with the investment objective designated by the Plan sponsor. In such engagements, the Firm will serve as an investment fiduciary as that term is defined under The Employee Retirement Income Security Act of 1974 ("ERISA"). The Firm will generally provide services on an "assets under management" fee basis per the terms and conditions of an Investment Advisory Agreement between the Plan and the Firm. We may also provide investment advisory services to participant directed retirement plans per the terms and conditions of a Retirement Plan Consulting Agreement between us and the plan. For such engagements, We shall assist the Plan with the selection of an investment platform from which Plan participants shall make their respective investment choices, and, to the extent engaged to do so, may also provide corresponding education to assist the participants with their decision making process.

### Please Note: Retirement Rollovers-Potential for Conflict of Interest

A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). If we

recommend that a client roll over his/her retirement plan assets into an account to be managed by us, such a recommendation creates a conflict of interest if we will earn an advisory fee on the rolled over assets. **No client is under any obligation to roll over retirement plan assets to an account managed by The Proper Analysis. Our Chief Compliance Officer, Lauren Turkisher, remains available to address any questions that a client or prospective client may have regarding the potential for conflict of interest presented by such rollover recommendation.**

#### Unaffiliated Private Investment Funds

We may also provide investment advice regarding unaffiliated private investment funds. We, on a non-discretionary basis, may recommend that certain qualified clients consider an investment in unaffiliated private investment funds. Our role relative to the private investment funds shall be limited to its initial and ongoing due diligence and investment monitoring services. If a client determines to become a private fund investor, the amount of assets invested in the fund(s) shall be included as part of "assets under management" for purposes of calculating our investment advisory fee. Our clients are under absolutely no obligation to consider or make an investment in a private investment fund(s).

**Please Note:** Private investment funds generally involve various risk factors, including, but not limited to, potential for complete loss of principal, liquidity constraints and lack of transparency, a complete discussion of which is set forth in each fund's offering documents, which will be provided to each client for review and consideration. Unlike liquid investments that a client may own, private investment funds do not provide daily liquidity or pricing. Each prospective client investor will be required to complete a Subscription Agreement, pursuant to which the client shall establish that he/she is qualified for investment in the fund, and acknowledges and accepts the various risk factors that are associated with such an investment.

**Please Also Note: Valuation.** In the event that we reference private investment funds owned by the client on any supplemental account reports that we prepare, the value(s) for all private investment funds owned by the client shall reflect the most recent valuation provided by the fund sponsor. If no subsequent valuation post-purchase is provided by the Fund Sponsor, then the valuation shall reflect the initial purchase price (and/or a value as of a previous date), or the current value(s) (either the initial purchase price and/or the most recent valuation provided by the fund sponsor). If the valuation reflects the initial purchase price (and/or a value as of a previous date), the current value(s) (to the extent ascertainable) could be **significantly more or less** than original purchase price. The client's advisory fee shall be based upon the reflected fund value(s).

#### Please Note-Use of Mutual Funds

Most mutual funds are available directly to the public. Thus, a prospective client can obtain many of the mutual funds that we utilize independent of engaging our services as an investment adviser. However, if a prospective client determines to do so, he/she will not receive our initial and ongoing investment advisory services. **Please Also Note-Use of DFA Mutual Funds:** As indicated above, most mutual funds are available directly to the public, without the need to engage an investment professional. Other mutual funds, such as those issued by Dimensional Fund Advisors ("DFA"), are generally only available through registered investment advisers. We utilize DFA mutual funds. Thus, if the client was to terminate our services, restrictions regarding transferability and/or additional purchases of, or reallocation among, DFA funds will apply. **Separate Fees:** All mutual funds (and exchange traded funds) impose fees at the fund level (e.g. management fees and other fund expenses). All mutual fund fees are separate from, and in addition to, our investment advisory fee as described at Item 5 below. **Our Chief Compliance Officer, Lauren Turkisher, remains available to address any questions that a client or prospective client may have regarding the above.**

#### Please Note: Mutual Fund Liquidity Constraints

We may utilize mutual funds and/or exchange traded funds that provide for limited liquidity, generally on a quarterly basis. Thus, if we determined that the fund was no longer performing or if you ever

determined to transfer your account, the Fund could not be sold or transferred immediately. Rather, sale or transfer would need to await the quarterly permitted sale date. Moreover, the eventual net asset value for the fund could be substantially different (positive or negative) than the Fund value on the date that the sale was requested. There can be **no assurance** that any such strategy will prove profitable or successful. In light of these enhanced risks/rewards, a client may direct us, in writing, not to employ any or all such strategies for the client's account.

#### Client Obligations

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

#### Please Note: Investment Risk

Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies we recommend or undertake) will be profitable or equal any specific performance level(s).

## **Item 5 Fees and Compensation**

Please refer to the "Advisory Business" section in this brochure for information on our advisory fees, fee deduction arrangements, and refund policy according to each service we offer.

#### **Additional Fees and Expenses**

As part of our investment advisory services to you, we invest on your behalf in mutual funds and exchange traded funds. The fees that you pay to our firm for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or exchange traded funds (described in each fund's prospectus) to their shareholders. These fees will generally include a management fee and other fund expenses that we do not share. You will also incur transaction charges and/or brokerage fees when purchasing or selling some securities. These charges and fees are typically imposed by the broker-dealer or custodian through whom your account transactions are executed. We do not share in any portion of the brokerage fees/transaction charges imposed by the broker-dealer or custodian. To fully understand the total cost you will incur, you should review all the fees charged by mutual funds, exchange traded funds, our firm, and others. For information on our brokerage practices, please refer to the "Brokerage Practices" section of this brochure.

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

We do not accept performance-based fees or participate in side-by-side management. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. Performance-based fees are fees that are based on a share of capital gains or capital appreciation of a client's account. Our fees are calculated as described in the *Advisory Business* section above, and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds in your advisory account.



## Item 7 Types of Clients

We offer investment advisory services to individuals, pension and profit sharing plans, trusts, estates, charitable organizations, corporations, and other business entities.

In general, we require a minimum dollar amount (\$250,000 within the first 12 months) to open and maintain an advisory relationship; however, we have the right to terminate your relationship with us if your portfolio falls below a minimum size which, in our sole opinion, is too small to manage effectively. In our sole discretion, we may charge a lesser investment management fee and/or reduce or waive the aggregate portfolio minimum based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.).

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

### Our Methods of Analysis and Investment Strategies

We may use one or more of the following methods of analysis or investment strategies when providing investment management for you:

- Modern Portfolio Theory (MPT) is a theory of investment which attempts to maximize portfolio expected return for a given amount of portfolio risk, or equivalently minimize risk for a given level of expected return, by carefully diversifying the proportions of various assets.
- Long Term Purchases - securities purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than three years.

Our investment strategies and advice may vary depending upon each client's specific financial situation. As such, we determine investments and allocations based upon your predefined objectives, risk tolerance, time horizon, financial horizon, financial information, liquidity needs, and other various suitability factors. Your restrictions and guidelines may affect the composition of your portfolio. It is the expected risk profile of the entire *portfolio*, not of its individual components, that determines suitability.

We are guided by the principles of modern portfolio theory, which argues that diversification diminishes risk while not curtailing the opportunity for gain. To the extent that all asset classes present in a given portfolio correlate, the portfolio may experience declines, although declines are typically temporary in nature so long as a disciplined strategy is followed.

Long term purchases may also be affected by unforeseen long term changes in the world economic environment.

### Risk of Loss

Investing in securities involves risk of loss that you should be prepared to bear. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. We cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is in no way an indication of future performance.

### Recommendation of Particular Types of Securities

As disclosed under the "Advisory Business" section in this Brochure, we primarily utilize no-load mutual funds and ETFs; however, we may recommend other types of investments as appropriate for you since each client has different needs and different tolerance for risk. Each type of security has its own

unique set of risks associated with it and it would not be possible to list here all of the specific risks of every type of investment. Even within the same type of investment, risks can vary widely. However, in very general terms, the higher the anticipated return of an investment, the higher the risk of loss associated with it.

Mutual funds and exchange traded funds are professionally managed collective investment systems that pool money from many investors and invest in stocks, bonds, short-term money market instruments, other mutual funds, other securities or any combination thereof. The fund will have a manager who trades the fund's investments in accordance with the fund's investment objective. While mutual funds and ETFs generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market, primarily invests in small cap or speculative companies, uses leverage (i.e., borrows money) to a significant degree, or concentrates in a particular type of security (i.e., equities) rather than balancing the fund with different types of securities. Exchange traded funds differ from mutual funds since they can be bought and sold throughout the day like stock and their price can fluctuate throughout the day. The returns on mutual funds and ETFs are reduced by the costs to manage the funds. Also, while some mutual funds are "no load" and charge no fee to buy into or sell out of the fund, other types of mutual funds ("load funds") do charge such fees, which reduce returns. Our firm does not purchase load funds. Mutual funds are either "closed end" or "open end". So-called "open end" mutual funds continue to allow in new investors indefinitely, which can raise prior investors' costs. We favor funds that recognize this problem and adjust fees to new investors to prevent harming the returns for prior investors. Closed-end funds normally sell at a discount to, or a premium over, their net asset value, while open-end funds always sell at net asset value (NAV). While we occasionally utilize closed-end funds, we prefer open-end no-load funds for our clients' portfolios.

## Item 9 Disciplinary Information

Neither our firm nor any of our associated persons has any reportable disciplinary information.

## Item 10 Other Financial Industry Activities and Affiliations

To the extent requested by a client, we may recommend the services of other professionals for certain non-investment implementation purpose, including firm founder, William D. Proper, CPA, in his separate licensed capacity as a certified public accountant with, and a shareholder of, Pease & Associates ("Pease"), a Cleveland-based accounting firm. The client is under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation that we make. Any engagement of Pease shall be separate and independent of our services, per the terms and conditions of a separate engagement between the client and Pease. There is no fee sharing arrangement between our firm and Pease. No client is under any obligation to engage Pease to provide accounting-related services. Given Mr. Proper's association with Pease, the recommendation that a client engage Pease's services presents a **conflict of interest**.

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

### Description of Our Code of Ethics

We strive to comply with applicable laws and regulations governing our practices. Therefore, our Code

of Ethics includes guidelines for professional standards of conduct for our Associated Persons. Our goal is to protect your interests at all times and to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing with you. All of our Associated Persons are expected to adhere strictly to these guidelines. Every year, all employees are required to review our firm's written Code of Ethics and acknowledge by signature that they will comply with it in full. Our Code of Ethics also requires that certain persons associated with our firm submit reports of their personal account holdings and transactions to a qualified representative of our firm who will review these reports on a periodic basis. Persons associated with our firm are also required to report any violations of our Code of Ethics. Additionally, we maintain and enforce written policies reasonably designed to prevent the misuse or dissemination of material, non-public information about you or your account holdings by persons associated with our firm.

Our Code of Ethics is available to you upon request. You may obtain a copy of our Code of Ethics by contacting our Chief Compliance Officer, Lauren Turkisher, at 216-595-3842.

### **Participation or Interest in Client Transactions**

Neither our firm nor any of our Associated Persons has any material financial interest in client transactions beyond the provision of investment advisory services as disclosed in this brochure.

### **Personal Trading Practices**

Our firm or persons associated with our firm may buy or sell securities for you at the same time we or persons associated with our firm buy or sell such securities for our own account. We may also combine our orders to purchase or sell securities with your orders to purchase or sell securities ("block trading"). Please refer to the "Brokerage Practices" section in this brochure for information on our block trading practices. A conflict of interest exists in such cases because we have the ability to trade ahead of you and potentially receive more favorable prices than you will receive. To eliminate this conflict of interest, it is our policy that neither our Associated Persons nor we shall have priority over your account in the purchase or sale of securities.

## **Item 12 Brokerage Practices**

Our firm does not maintain custody of your assets that we manage (although we may be deemed to have custody of your assets if you give us authority to withdraw assets from your account (see Item 15 Custody, below). Your assets must be maintained in an account at a "qualified custodian," generally a broker-dealer or bank. In the event that the client requests that we recommend a broker-dealer/custodian for execution and/or custodial services, we generally recommend that investment accounts be maintained at Charles Schwab & Co., Inc. ("Schwab") Prior to engaging us to provide investment management services, the client will be required to enter into a formal *Investment Advisory Agreement* with us setting forth the terms and conditions under which we shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that we consider in recommending Schwab (or any other broker-dealer/custodian to clients) include historical relationship, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by our clients shall comply with our duty to obtain best execution, a client may pay a transaction fee that is higher than another qualified broker-dealer might charge to effect the same transaction where we determine, in good faith, that the transaction fee is reasonable. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although we will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account

transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, our investment advisory fee.

### **Non-Soft Dollar Research and Additional Benefits**

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, we may receive from Schwab (or another broker-dealer/custodian, investment manager, platform or fund sponsor, or vendor) without cost (and/or at a discount) support services and/or products, certain of which assist us to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by us may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, marketing support-including client events, computer hardware and/or software and/or other products used by us in furtherance of its investment advisory business operations.

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

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

**Our Chief Compliance Officer, Lauren Turkisher, remains available to address any questions that a client or prospective client may have regarding the above arrangement and any corresponding perceived conflict of interest such arrangements may create.**

### **Soft Dollar Benefits**

We do not have any soft dollar arrangements.

### **Brokerage for Client Referrals**

We do not receive client referrals from broker-dealers in exchange for cash or other compensation, such as brokerage services or research.

### **Directed Brokerage**

We generally recommend that our clients utilize the brokerage and custodial services provided by Schwab. We generally do not accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for his/her/its account with that broker-dealer, and we will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by us. As a result, a client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Please Note: In the event that the client directs us to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that we recommend. Higher transaction costs adversely impact account performance. Please Also Note: Transactions for directed accounts will generally be executed following the execution

of portfolio transactions for non-directed accounts.

### **Order Aggregation**

Transactions for each client account generally will be effected independently, unless we decide to purchase or sell the same securities for several clients at approximately the same time. We may (but are not obligated to) combine or “bunch” such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among our clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. We shall not receive any additional compensation or remuneration as a result of such aggregation.

## **Item 13 Review of Accounts**

The frequency of reviews of your accounts varies depending upon the circumstances, e.g. new portfolio accounts and accounts with monthly withdrawals may be reviewed more frequently than longstanding accounts. All reviews include considerations for tax planning purposes. Reviews of your asset allocations are performed at least quarterly and performance results are reviewed monthly. Reviews of accounts are also triggered by changes in market conditions, adjustments to guidance models, changes in the investment guidance list, substantial additions or withdrawals from a portfolio, and in response to discussions with you and/or requests by you for a review meeting.

Reviews of portfolio holdings are conducted by two members of our senior staff on a rotating basis: Anne P. Ogan, CFA, President and Greg Goldfeder, CFA, Senior Research Analyst. The reviewers' instructions are to rebalance accounts to conform to our models after giving consideration to tax consequences of sales.

The third party custodian(s) provide reports directly to you at least quarterly (typically monthly). Such reports show positions held, valuation, and account activity, including payment of investment management fees, if applicable.

Each quarter, we provide reports that give asset positions, valuations, performance and asset allocation. Tax-related reports (including information on capital gains and losses, investment income and management expenses) are provided to our clients upon request. Reports will be provided directly to clients' designated tax preparers upon request.

## **Item 14 Client Referrals and Other Compensation**

As referenced in Item 12 above, we may receive from Schwab, without cost (and/or at a discount), support services and/or products. Our clients do not pay more for investment transactions effected and/or assets maintained at Schwab as result of this arrangement. There is no corresponding commitment made by us to Schwab or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangements. **Our Chief Compliance Officer, Lauren Turkisher, remains available to address any questions that a client or prospective client may have regarding the above arrangements and any corresponding perceived conflict of interest such arrangements may create.**

We directly compensate non-employee (outside) consultants, individuals, and/or entities (Solicitors) for client referrals. In order to receive a cash referral fee from our firm, Solicitors must comply with the

requirements of the jurisdictions in which they operate. If you were referred to our firm by a Solicitor, you should have received a copy of this brochure along with the Solicitor's disclosure statement at the time of the referral. If you become a client, the Solicitor that referred you to our firm will receive a percentage of the advisory fee you pay our firm for as long as you are a client with our firm, or until such time as our agreement with the Solicitor expires or a one-time, flat referral fee upon your signing an advisory agreement with our firm. You will not pay additional fees because of this referral arrangement. Referral fees paid to a Solicitor are contingent upon your entering into an advisory agreement with our firm. Therefore, a Solicitor has a financial incentive to recommend our firm to you for advisory services. This creates a conflict of interest; however, you are not obligated to retain our firm for advisory services. Comparable services and/or lower fees may be available through other firms.

Solicitors that refer business to more than one investment adviser may have a financial incentive to recommend advisers with more favorable compensation arrangements. We request that our Solicitors disclose to you whether multiple referral relationships exist and that comparable services may be available from other advisers for lower fees and/or where the Solicitor's compensation is less favorable.

## **Item 15 Custody**

Typically, we directly debit your account(s) for the payment of our advisory fees. This ability to deduct our advisory fees from your accounts causes our firm to exercise limited custody over your funds or securities. We do not have physical custody of any of your funds and/or securities. Your funds and securities will be held with a bank, broker-dealer, or other independent, qualified custodian. You will receive account statements from the independent, qualified custodian(s) holding your funds and securities at least quarterly. The account statements from your custodian(s) will indicate the amount of our advisory fees deducted from your account(s) each billing period. You should carefully review account statements for accuracy. We will also provide statements to you reflecting the amount of advisory fees deducted from your account.

If you have a question regarding your account statement or if you did not receive a statement from your custodian, please contact our Chief Compliance Officer, Lauren Turkisher, at 216-595-3842.

## **Item 16 Investment Discretion**

Before we can buy or sell securities on your behalf, you must first sign our discretionary management agreement, a power of attorney, and/or trading authorization forms.

You may grant our firm discretion over the selection and amount of securities to be purchased or sold for your account(s) without obtaining your consent or approval prior to each transaction. You may specify investment objectives, guidelines, and/or impose certain conditions or investment parameters for your account(s). For example, you may specify that the investment in any particular stock or industry should not exceed specified percentages of the value of the portfolio and/or restrictions or prohibitions of transactions in the securities of a specific industry or security. Please refer to the "Advisory Business" section in this brochure for more information on our discretionary management services.

## **Item 17 Voting Client Securities**

Unless the client directs otherwise in writing, we are responsible for voting client proxies (However, the



client shall maintain exclusive responsibility for all legal proceedings or other type events pertaining to the account assets, including, but not limited to, class action lawsuits.). We shall vote proxies in accordance with our Proxy Voting Policy, a copy of which is available upon request. We shall monitor corporate actions of individual issuers and investment companies consistent with our fiduciary duty to vote proxies in the best interests of its clients. Although the factors which we will consider when determining how it will vote differ on a case by case basis, they may, but are not limited to, include a review of recommendations from issuer management, shareholder proposals, cost effects of such proposals, effect on employees and executive and director compensation. With respect to individual issuers, we may be solicited to vote on matters including corporate governance, adoption or amendments to compensation plans (including stock options), and matters involving social issues and corporate responsibility. With respect to investment companies (e.g., mutual funds), we may be solicited to vote on matters including the approval of advisory contracts, distribution plans, and mergers. We shall maintain records pertaining to proxy voting as required pursuant to Rule 204-2 (c)(2) under the Advisers Act. Copies of Rules 206(4)-6 and 204-2(c)(2) are available upon written request. In addition, information pertaining to how we voted on any specific proxy issue is also available upon written request. Requests should be made by contacting our Chief Compliance Officer.

## **Item 18 Financial Information**

We are not required to provide financial information to our clients because we do not:

- require the prepayment of more than \$1,200 in fees six or more months in advance, or
- take custody of client funds or securities, or
- have a financial condition that is reasonably likely to impair our ability to meet our commitments to you.

## **Item 19 Requirements for State-Registered Advisers**

We are a federally registered investment adviser; therefore, we are not required to respond to this item.

## **Item 20 Additional Information**

### **Your Privacy**

We view protecting your private information as a top priority. Pursuant to applicable privacy requirements, we have instituted policies and procedures to ensure that we keep your personal information private and secure.

We do not disclose any nonpublic personal information about you to any nonaffiliated third parties, except as permitted by law. In the course of servicing your account, we may share some information with our service providers, such as transfer agents, custodians, broker-dealers, accountants, consultants, and attorneys.

We restrict internal access to nonpublic personal information about you to employees who need that information in order to provide products or services to you. We maintain physical and procedural safeguards that comply with regulatory standards to guard your nonpublic personal information and to ensure our integrity and confidentiality. We will not sell information about you or your accounts to anyone. We do not share your information unless it is at your request, required to process a transaction, or required by law.

You will receive a copy of our privacy notice prior to or at the time you sign an advisory agreement with our firm. Thereafter, we will deliver a copy of the current privacy policy notice to you on an annual basis. Please contact our Chief Operating Officer, Lauren Turkisher, at 216-595-3842, if you have any questions regarding this policy.

**Trade Errors**

If an investment gain results from the correcting trade, the gain will remain in your account unless the same error involved other client account(s) that should have received the gain, it is not permissible for you to retain the gain, or we confer with you and you decide to forego the gain (e.g., due to tax reasons). If the gain does not remain in your account and Charles Schwab & Co. Inc. ("Schwab") is the custodian, Schwab will donate the amount of any gain \$100 and over to charity. If a loss occurs greater than \$100, we will pay for the loss. Schwab will maintain the loss or gain (if such gain is not retained in your account) if it is under \$100 to minimize and offset its administrative time and expense. Generally, if related trade errors result in both gains and losses in your account, they may be netted.

**ANY QUESTIONS: Our Chief Compliance Officer, Lauren Turkisher, remains available to address any questions regarding this Part 2A.**