



Part 2A of Form ADV: *Firm Brochure*

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This brochure provides information about the qualifications and business practices of Sawtooth Asset Management, Inc. If you have any questions about the contents of this brochure, please contact us at 952-831-0039 or bradp@sawtootham.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Sawtooth Asset Management, Inc. also is available on the SEC's website at www.adviserinfo.sec.gov. You can search this site by a unique identifying number, known as a CRD number. Our firm's CRD number is 150506.

Item 2 **Material Changes**

The SEC adopted "Amendments to Form ADV" in July, 2010. This Firm Brochure, dated December 31, 2011, is our new disclosure document prepared according to the SEC's new requirements and rules. As you will see, this document is a narrative that is substantially different in form and content, and includes some new information that we were not previously required to disclose.

After our initial filing of this Brochure, this Item will be used to provide our clients with a summary of new and/or updated information. We will inform you of the revision(s) based on the nature of the updated information.

Consistent with the new rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. Furthermore, we will provide you with other interim disclosures about material changes as necessary.

This Brochure provides information about the qualifications and business practices of Sawtooth Asset Management, Inc. (Adviser). Please contact Bradley Pries, President, with any questions about the contents of this Brochure.

The information in this Brochure has not been approved or verified by the U.S. Securities and Exchange Commission or by any State securities authority. Additional information about Adviser is available on the Internet at:

http://www.adviserinfo.sec.gov/IAPD/CContent/lapdMain/iapd_SiteMap.aspx

Clients and prospective Clients can search this site by using Advisers unique identifying number, known as a CRD number. The CRD number for Adviser is 150506.

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Item 4 **Advisory Business**

Sawtooth Asset Management, Inc. ("Sawtooth") is a SEC-registered investment adviser with its principal place of business located in Minnesota. Sawtooth began conducting business in 2009.

Listed below are the firm's principal shareholders (i.e., those individuals and/or entities controlling 25% or more of this company).

- Bradley Earl Pries, CEO

In addition, Sawtooth has the following affiliations with independent representative firms:

- Cornerstone Financial Resources
- Summit Wealth
- VIP Financial

These three firms are independent of Sawtooth and share no common ownership. These firms are affiliated with Sawtooth in that the owners of these firms may solicit Sawtooth's services to Clients on behalf of Sawtooth or they may act as the representative to the Client on behalf of Sawtooth.

Sawtooth offers the following advisory services to our clients:

INVESTMENT ADVISORY SERVICES

Sawtooth provides continuous asset management of client funds based on the individual needs of the client. Through personal discussions in which goals and objectives based on the client's particular circumstances are established, we develop the client's personal investment policy. We create and manage a portfolio based on that policy. During our data-gathering process, we determine the client's individual objectives, time horizons, risk tolerance, and liquidity needs. As appropriate, we may also review and discuss a client's prior investment history, as well as family composition and background.

Each Client will enter into a written agreement (the Agreement) with Sawtooth which describes the nature and extent of Sawtooth's services, the terms and conditions applicable to such services, and the fees to be charged. The services, terms, conditions, and fees described in the Agreement may differ from the information in this Brochure. In the event of any difference between the information in this Brochure and the Agreement, the Agreement shall control.

In addition to the services described below, Sawtooth may, when it deems appropriate, provide other services upon request of a Client. The nature and extent of such services, the terms and conditions applicable to such services, and the fees to be charged will be described in the Clients Agreement.

Managed Account Program

In the Managed Account Program ("MAP"), Sawtooth may retain one or more registered investment advisers, each a Program Manager ("Program Manager"), to manage the investments in the Clients account, based on the individual needs and circumstances of

each Client. This may include the Sawtooth as one of the Program Managers (see *Model Portfolio Management* section below).

At the beginning of the relationship, an authorized Representative of the Sawtooth, either a direct Representative or a Representative of a Solicitor firm ("Representative"), will obtain from the Client information regarding the Client's financial situation, investment objectives, financial goals, tolerance for risk, and investment time horizon (all referred to as the Suitability Information), among other information. If the Representative determines it appropriate based upon the individual needs and circumstances of the Client, the Representative will recommend that the Client participate in the MAP. Sawtooth and Program Managers will have access to the Client Suitability Information and to any reasonable investment restrictions that the Client imposes on the account.

Clients participating in MAP will establish an account either at TD Ameritrade Institutional (the Custodian), TD Ameritrade Institutional is a division of TD Ameritrade, Inc. member FINRA/SIPC or at Charles Schwab Inc., an SEC-registered broker-dealer and member of FINRA (the Custodian) or at Fidelity Brokerage Services LLC, member FINRA/SIPC or at Penion Financial Services, Inc., an SEC-registered broker-dealer and member of FINRA (the Custodian).

MAP accounts are managed on a discretionary basis. Account supervision is guided by the client's stated objectives (i.e., maximum capital appreciation, growth, income, or growth and income), as well as tax considerations. Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors. Because some types of investments involve certain additional degrees of risk, they will only be recommended when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability.

Once the client's portfolio has been established, portfolio's are reviewed at least quarterly, and if necessary, rebalanced on a quarterly or annual basis, based on the client's individual needs.

Sawtooth's investment recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company and will generally include advice regarding the following securities:

- Exchange-listed securities: Stocks, ETF's
- Foreign issuers
- Corporate debt securities (other than commercial paper)
- Certificates of deposit
- Municipal securities
- Mutual fund shares
- United States governmental securities
- Options contracts on securities

- Third Party Money Managers

Based on the individual needs and circumstances of the Client, Sawtooth will determine the allocation of the account among various investment options and among Program Managers, if deemed appropriate. Each Program Manager will have discretion to select the investments, to designate the strategies, and to buy, sell, or otherwise effect transactions for the portion of the account allocated to such Program Manager.

On a continuous basis, Sawtooth will monitor the performance of the account, will hire and fire the Program Managers, and allocate and/or reallocate the account among various investment options, according to the individual needs and circumstances of the Client. Sawtooth will have full discretion to allocate and reallocate the account, to increase or decrease the portion of the account allocated to each investment and/or Program Manager, including Sawtooth's own investment strategies, and to hire new Program Managers and fire existing Program Managers. Sawtooth's decisions with respect to the investment options and Program Managers will be based, in part, on Sawtooth's evaluation of the investment styles, strategies, risks, and potential benefits of each investment option and each Program Manager.

Sawtooth will provide advice regarding specific investments for a MAP account, and will manage or effect purchases, sales, or other transactions for an account. In addition, Sawtooth will also have the authority and discretion to manage the account in the event a Program Manager ceases to act as manager for the account, in which event Sawtooth shall have authority and discretion to manage account investments not allocated to an existing Program Manager until a new Program Manager is retained or in its entirety if no new Program Manager is recommended. In managing the account assets, Sawtooth is specifically permitted to retain all or part of the existing investments or to liquidate such investments, in Sawtooth's discretion.

At or before entering into the Agreement, Clients will receive a copy of the Part 2A of Form ADV: **Firm Brochure** or other disclosure document adopted by each Program Manager under SEC Rule 204-3 (the Manager Disclosure Document). The Representative will be available to discuss the Manager Disclosure Documents and answer questions the Client may have regarding MAP and the Program Managers. If requested by Sawtooth or a Program Manager, Client will enter into a separate advisory agreement with a Program Manager. Upon the addition of a new Program Manager for an account, the Representative will provide the Client with the new Manager Disclosure Document. Because the Program Managers may change from time to time, Clients and prospective Clients should consult directly with their Representative to discuss the current Program Managers. Certain Program Managers may not be available to all Clients.

Neither Sawtooth nor any of the Program Managers guarantees the future performance of any MAP accounts, any specific level of performance, the success of any investment decision or strategy that a Program Manager may use, or the success of Sawtooth's or the Program managers management of the MAP Accounts. The investment and other

decisions made by Sawtooth and the Program Manager for MAP Accounts are subject to various market, currency, economic, political and business risks, and that those investment decisions will not always be profitable.

With respect to each MAP account:

Sawtooth will manage the account on the basis of the Client's financial situation and investment objectives and any reasonable investment restrictions the Client may impose;

Sawtooth will obtain sufficient client information to be able to provide individualized investment advice to the Client;

At least annually, Sawtooth will contact the Client to determine whether there have been any changes in the Client's financial situation or investment objectives and whether the Client wishes to impose investment restrictions or modify existing restrictions;

At least quarterly, Sawtooth will provide a report to the client reflecting all activity in the account during the preceding period, including performance calculations for prior periods, all transactions made on behalf of the account, all contributions and withdrawals, all fees and expenses, and the value of the account at the beginning and end of the period;

Sawtooth will be reasonably available to the Client for consultation; At least quarterly, the Custodian will provide the Client with a statement reflecting all activity in the account during the preceding period, including all transactions made on behalf of the account, all contributions and withdrawals, all fees and expenses, and the value of the account at the beginning and end of the period; and Client will retain, with respect to all securities and funds in the account, to the same extent as if the Client held the securities and funds outside MAP, the right to:

- Withdraw securities or cash;
- Vote securities, or delegate the authority to vote securities to another person;
- Be provided in a timely manner with a written confirmation or other notification of each securities transaction, and all other documents required by law to be provided to security holders; and
- Proceed directly as a security holder against the issuer of any security in the Client's account and not be obligated to join any person involved in the operation of the program, or any other client, as a condition precedent to initiating such proceeding.

Model Portfolio Management

Sawtooth also provides continuous portfolio management services to clients using proprietary model portfolios as well as various third party model portfolios. Each model portfolio is designed to meet a particular investment goal.

Through personal discussions with the Representative and/or the client in which the client's goals and objectives are established, Sawtooth initially determines whether a model portfolio is suitable to the client's circumstances. Once Sawtooth confirms suitability, the portfolio is managed based on the portfolio's goal, rather than on each client's individual needs. Clients, nevertheless, have the opportunity to place reasonable restrictions on the types of investments to be held in their account. Clients retain individual ownership of all securities.

Sawtooth manage these advisory accounts on a discretionary basis. Account supervision is guided by the client's stated objectives (i.e., maximum capital appreciation, growth, income, or growth and income), as well as tax considerations.

Once the client's portfolio has been established, we review the portfolio quarterly and if necessary, rebalance the portfolio on a quarterly basis, based on the client's individual needs.

Sawtooth investment recommendations are not limited to any specific product or service offered by a broker dealer or insurance company and will generally include advice regarding the following securities:

- Exchange-listed securities
- Foreign issuers
- Corporate debt securities (other than commercial paper)
- Mutual fund shares
- United States governmental securities
- Options contracts on securities

Because some types of investments involve certain additional degrees of risk, they will only be implemented/recommended when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability.

To ensure that Sawtooth's initial determination of an appropriate portfolio remains suitable and that the account continues to be managed in a manner consistent with the client's financial circumstances, Sawtooth will:

- at least annually, contact each participating client to determine whether there have been any changes in the client's financial situation or investment objectives, and whether the client wishes to impose investment restrictions or modify existing restrictions;
- be reasonably available to consult with the client; and
- maintain client suitability information in each client's file.

Financial Planning Services

Certain Representatives provide financial planning services on Sawtooth's behalf. Clients seeking financial planning services will enter into an Agreement which describes the

services the Representative will provide on Sawtooth's behalf, and the Fees for such services. In providing financial planning services, the Representative will typically ask the Client to provide detailed information with respect to the Client's personal and family situation, financial condition, investment objectives, risk tolerance, investment time horizon, estate and retirement plans, trust agreements, wills, investment, insurance, personal and family obligations, and other pertinent information. Based on this information, the Representative will prepare a written financial plan which will include recommendations to assist the Client in achieving his or her financial goals and objectives, such as obtaining insurance or revising existing coverage, establishing an individual retirement account, increasing or decreasing funds held in savings accounts, or investing in securities. Financial planning services will usually address a broad range of financial issues. However, when appropriate, the Representative may agree to provide specific, limited financial planning services, such as the following:

PERSONAL: Family records, budgeting, personal liability, home and mortgage planning, estate information and financial goals.

TAX & CASH FLOW: Income tax and spending analysis and planning for past, current and future years. The Representative will illustrate the impact of various investments on a Client's current income tax and future tax liability.

DEATH & DISABILITY: Cash needs at death, income needs of surviving dependents, estate planning and disability income analysis.

RETIREMENT: Analysis of current strategies and investment plans to help achieve retirement goals.

PUBLIC BENEFITS PLANNING: Analysis of current strategies related to medicare, medicaid and long-term care planning.

INVESTMENTS: Analysis of investment alternatives and their effect on a Client's portfolio.

Clients who receive financial planning services may choose to implement their financial plans by purchasing securities or insurance products offered through a Representative who is also a registered representative of an independent broker-dealer (a "Broker-Dealer") or is an appointed agent of an insurance carrier (an "Insurance-Carrier"). In those circumstances, the Representative will be acting as the Broker- Dealer's representative or the Insurance-Carrier agent, and the Broker-Dealer or Insurance Carrier and the Representative will receive commissions or other compensation (including 12b-1 fees, as described below) as a result of those investments. Consequently, Clients should be aware that in those situations, there exists a conflict between the interests of the Client and the interests of the Representative as a result of the potential additional compensation to be earned if the Client chooses to purchase securities or insurance products. Clients are under no obligation to purchase any products or follow any course of action recommended by a Representative.

Each Representative establishes the fee schedule for financial planning services he or she provides. The fee schedule will be provided to the Client before entering into an Agreement. Financial planning services may be charged on an hourly or fixed fee arrangement. Hourly rates vary between \$150 to \$450 per hour. Fees are negotiable and will vary depending upon the particular Representative who provides the services, the complexity of the Client situation and services to be provided, prior or anticipated relationships, as well as the size of the Client's assets, and the possibility for additional business, as determined by the Representative within his or her discretion. All financial planning agreements must be approved by Sawtooth. Similar financial planning services may be available elsewhere at lower cost to the Client.

Financial planning services terminate upon completion of the services described in a financial planning Agreement. A Client may terminate a financial planning Agreement at any time, and will receive a prorated refund of the Fee based on the proportion of the total services that the Representative has performed through the date Sawtooth receives written notice of such termination.

AMOUNT OF MANAGED ASSETS

As of December 31, 2011, Sawtooth has approximately \$307,267,546 in platform assets, which includes providing outsourced back office services to investment advisers.

Item 5 Fees and Compensation

PORTFOLIO MANAGEMENT SERVICES FEES

Clients in the Programs pay a program fee (each, a "Program Fee") from which Sawtooth pays the Program Managers. The Program Fee also includes investment management services comprised of client profiling assistance, asset allocation assistance, research and evaluation of Program Managers, ongoing monitoring of Program Managers and account performance, asset manager hiring and termination, account rebalancing, account reporting, and other operational and administrative services.

Certain fees are not included in the Program Fee. The Program Fee does NOT include any fee charged by Representatives to their individual Clients. Client should separately refer to the Representative's Form ADV Part II for a description of Representative's fees. The Program fee may not include certain fees charged by a broker or custodian used by that Client's advisor. The Program Fees shown below do NOT include brokerage, clearing and custody fees for Client's assets held in the program. These fees are separate and can vary depending upon which custodian a Client utilizes. Clients, through coordination with their Representative, may utilize transaction-based pricing or asset based pricing for clearing and custody services. In either case, these fees will be disclosed separately to the Client in the applicable custodians clearing and custodial paperwork.

Program Fees charged are calculated as an annual percentage of assets based on the market value of the account at the end of quarter. Program Fees are charged on a

quarter basis in advance and prorated to the end of the quarter upon inception of the account. The level of the Program Fee will vary with the amount of assets under management and the particular investment styles and investment options chosen or recommended. Clients may receive comparable services from other sources for fees that are lower or higher than those charged by Sawtooth.

The standard fee schedules for Sawtooth's Programs are as follows, but lower fees may be separately negotiated:

MAP Portfolios*

<u>Amount</u>	<u>Fee</u>
\$500,000 or less	1.00% to 1.50%
Next \$500,000	0.90% to 1.40%
Next \$2,000,000	0.80% to 1.30%
Next \$2,000,000	0.70% to 1.20%
Next \$2,500,000	0.60% to 1.10%
Next \$2,500,000	0.50% to 1.00%
Value over \$10,000,000	.40% to 0.90%

**The fee charged depends on the manager(s) selected. Fees are calculated on a per account basis. Mutual funds, ETF's and alternative investments charge their own fees for investing the pool of assets in the respective investment vehicles. Please see the prospectus or related disclosure document for information regarding these fees.*

The Fee Schedule may be revised by Sawtooth upon notice to the Client, and the new Fee schedule will be in effect as of the first calendar quarter beginning 30 days or more after Sawtooth provides notice of such revision. Fees are not charged on the basis of a share of capital gains upon or capital appreciation of the account or any portion of the account. The fee schedule above is in effect as of the date of this Brochure. Client will provide the Custodian with such documentation as Custodian requests authorizing and directing the Custodian to deduct the Fees from the account and to pay Sawtooth and the Program Managers their respective shares of the Fees upon submission of a Fee invoice (which may be electronic) to the Custodian. The value of the account and the value of any asset in the account shall be the value reflected on the Custodian's statements (or on the Custodian's internal system, for valuations other than as of the close of a calendar month or quarter). In the event the Custodian does not value any asset, the asset shall be valued by Sawtooth in such manner as it shall determine in good faith to reflect its fair value, in accordance with generally accepted industry standards. Money market accounts and bank accounts, if any, shall be valued as of the valuation date. Client may make additions to or withdrawals from the account at any time, subject to Sawtooth's right to terminate the account if it falls below the minimum account size stated in this Brochure. Assets deposited into the account after the beginning of a calendar quarter shall be charged a prorated Fee based upon the number of days remaining in the quarter, and such prorated Fee shall be payable upon deposit of such assets. Client may withdraw account assets upon notice to the Sawtooth, subject to usual and customary securities settlement

procedures. No Fee adjustments shall be made for partial withdrawals or for account appreciation or depreciation within a billing period. A prorated refund of Fees charged shall be made if the account is closed within a calendar quarter.

Limited Prepayment of Fees

Under no circumstances does Sawtooth require or solicit payment of fees in excess of \$1200 more than six months in advance of services rendered.

Termination

The Terms and Conditions for each Program contain termination provisions. An agreement may be canceled by either party at any time, for any reason, upon receipt of 30 days prior written notice. Clients will receive a prorated refund of any pre-paid quarterly program fee, based upon the number of days remaining in the quarter after the termination date. Clients are not charged a liquidation fee if securities are to be delivered in-kind.

Financial Planning Fees

Each Representative establishes the fee schedule for financial planning services he or she provides. The fee schedule will be provided to the Client before entering into an Agreement. Financial planning services may be charged on an hourly or fixed fee arrangement. Hourly rates vary between \$150 to \$450 per hour. Fees are negotiable and will vary depending upon the particular Representative who provides the services, the complexity of the Client situation and services to be provided, prior or anticipated relationships, as well as the size of the Client's assets, and the possibility for additional business, as determined by the Representative within his or her discretion. All financial planning agreements must be approved by Sawtooth. Similar financial planning services may be available elsewhere at lower cost to the Client. Fees are to be fully paid at the time of completion of the financial plan.

Other Issues Relating to Fees

The cost of investment advisory services provided through the Programs may be more or less than the cost of purchasing similar services separately. Among the factors impacting the relative cost of the program to a particular Client include the size of the account; the type of account (*i.e.*, equity or fixed income); the size of the assets devoted to a particular strategy; and the managers selected.

In some cases, Advisors who recommend the Programs to their Clients may receive compensation from Sawtooth as a result of their Clients' participation in the programs. This compensation may be more than what the Representative would receive if the Client participated in other programs or paid separately for investment advice, brokerage and other services. Such individuals may therefore have a financial incentive to recommend the Program over other programs or services. However, the Program Fees have not been increased to cover fees paid to those Representatives.

The Program Fee does not cover certain charges associated with securities transactions in Clients' accounts, including: (i) dealer markups, markdowns or spreads charged on transactions in over-the counter securities; (ii) costs relating to trading in certain foreign securities; (iii) the internal charges and fees that may be imposed by any collective investment vehicles ("**Collective Investment Vehicles**"), such as mutual funds and closed-end funds, unit investment trusts, exchange-traded funds or real estate investment trusts (such as fund operating expenses, management fees, redemption fees, 12b-1 fees and other fees and expenses. Further information regarding charges and fees assessed on Collective Investment Vehicles may be found in the appropriate prospectus or offering document) or other regulatory fees; (iv) brokerage commissions or other charges imposed by broker-dealers or entities other than the custodian if and when trades are cleared by another broker-dealer; (v) the charge to carry tax lot information on transferred mutual funds or other investment vehicles, postage and handling charges, returned check charges, transfer taxes; stock exchange fees or other fees mandated by law, and (vi) any brokerage commissions or other charges, including contingent deferred sales charges ("CDSC"), imposed upon the liquidation of "in-kind assets" that are transferred into the Program. With respect to this latter type of charge, Sawtooth may liquidate such assets transferred into a Program in its sole discretion. Clients should thus be aware that if they transfer in-kind assets into a Program, Sawtooth may liquidate such assets immediately or at a future point in time and Clients may incur a brokerage commission or other charge, including a CDSC. Clients also may be subject to taxes when Sawtooth liquidates such assets. Accordingly, Clients should consult with their financial advisor and tax consultant before transferring in-kind assets into a Program.

In addition to the redemption fees described above, a Client may incur redemption fees, when the portfolio manager to an investment strategy determines that it is in the Client's overall interest, in conjunction with the stated goals of the investment strategy, to divest from certain Collective Investment Vehicles prior to the expiration of the collective investment vehicle's minimum holding period. Depending on the length of the redemption period, the particular investment strategy and/or market circumstances, a portfolio manager may be able to minimize any redemption fees, when in the portfolio manager's discretion it is reasonable to allow a Client to remain invested in a Collective Investment Vehicle until expiration of the minimum holding period.

The Program Fee does not cover certain custodial fees that may be charged to Clients by the Custodian. Clients also may be charged for specific account services, such as ACAT transfers, electronic fund and wire transfer charges, and for other optional services elected by Clients. Accounts may be subject to transaction-based ticket charges assessed by the custodian for the purchase of certain mutual funds. Similarly, the Program Fee does not cover certain non-brokerage-related fees such as individual retirement account ("IRA") trustee or custodian fees and tax-qualified retirement plan account fees and annual and termination fees for retirement accounts (such as IRAs). Some mutual funds assess redemption fees to investors upon the short-term sale of its funds. Depending on the particular mutual fund, this may include sales for rebalancing purposes. Please see the prospectus for the specific mutual fund for detailed information regarding such fees.

Account Minimum

A minimum of \$100,000.00 of assets under management is required for this service. This account size may be negotiable under certain circumstances. In those cases, Sawtooth requires a minimum annual per account fee of \$80. Sawtooth may group certain related client accounts for the purposes of achieving the minimum account size and determining the annualized fee. Discounts, not generally available to our advisory clients, may be offered to family members and friends of associated persons of our firm

Limited Negotiability of Advisory Fees

Although Sawtooth has established the aforementioned fee schedule(s), we retain the discretion to negotiate alternative fees on a client-by-client basis. Client facts, circumstances and needs are considered in determining the fee schedule. These include the complexity of the client, assets to be placed under management, anticipated future additional assets; related accounts; portfolio style, account composition, reports, among other factors. The specific annual fee schedule is identified in the contract between the adviser and each client.

ERISA Accounts

Sawtooth is deemed to be a fiduciary to advisory clients that are employee benefit plans or individual retirement accounts (IRAs) pursuant to the Employee Retirement Income and Securities Act ("ERISA"), and regulations under the Internal Revenue Code of 1986 (the "Code"), respectively. As such, our firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, Sawtooth may only charge fees for investment advice about products for which our firm and/or our related persons do not receive any commissions or 12b-1 fees, or conversely, investment advice about products for which our firm and/or our related persons receive commissions or 12b-1 fees, however, only when such fees are used to offset Sawtooth Asset Management, Inc.'s advisory fees.

Advisory Fees in General

Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers for similar or lower fees.

Limited Prepayment of Fees

Under no circumstances do we require or solicit payment of fees more than six months in advance of services rendered.

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

Sawtooth does not charge performance-based fees.

Item 7 Types of Clients

Sawtooth Asset Management, Inc. provides advisory services to the following types of clients:

- Individuals (other than high net worth individuals)
- High net worth individuals
- Pension and profit sharing plans (other than plan participants)
- Trusts

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

METHODS OF ANALYSIS

We use the following methods of analysis in formulating our investment advice and/or managing client assets:

Charting. In this type of technical analysis, we review charts of market and security activity in an attempt to identify when the market is moving up or down and to predict how long the trend may last and when that trend might reverse.

Fundamental Analysis. We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell).

Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

Technical Analysis. We analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement.

Technical analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly-managed or financially unsound company may underperform regardless of market movement.

Quantitative Analysis. We use mathematical models in an attempt to obtain more accurate measurements of a company's quantifiable data, such as the value of a share price or earnings per share, and predict changes to that data.

A risk in using quantitative analysis is that the models used may be based on assumptions that prove to be incorrect.

Asset Allocation. Rather than focusing primarily on securities selection, we attempt to identify an appropriate ratio of securities, fixed income, and cash suitable to the client's investment goals and risk tolerance.

A risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of securities, fixed income, and cash will change over time due to stock and market movements and, if not corrected, will no longer be appropriate for the client's goals.

Mutual Fund and/or ETF Analysis. We look at the experience and track record of the manager of the mutual fund or ETF in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We also look at the underlying assets in a mutual fund or ETF in an attempt to determine if there is significant overlap in the underlying investments held in another fund(s) in the client's portfolio. We also monitor the funds or ETFs in an attempt to determine if they are continuing to follow their stated investment strategy.

A risk of mutual fund and/or ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a fund or ETF, managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETF, which could make the holding(s) less suitable for the client's portfolio.

Third-Party Money Manager Analysis. We examine the experience, expertise, investment philosophies, and past performance of independent third-party investment managers in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We monitor the manager's underlying holdings, strategies, concentrations and leverage as part of our overall periodic risk assessment. Additionally, as part of our due-diligence process, we survey the manager's compliance and business enterprise risks.

A risk of investing with a third-party manager who has been successful in the past is that he/she may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a third-party manager's portfolio, there is also a risk that a manager may deviate from the stated investment mandate or strategy of the portfolio, making it a less suitable investment for our clients. Moreover, as we do not control the manager's daily business and compliance operations, we may be unaware of the lack of internal controls necessary to prevent business, regulatory or reputational deficiencies.

Risks for all forms of analysis. Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

INVESTMENT STRATEGIES

We use the following strategy(ies) in managing client accounts, provided that such strategy(ies) are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:

Long-term purchases. We purchase securities with the idea of holding them in the client's account for a year or longer. Typically we employ this strategy when:

- we believe the securities to be currently undervalued, and/or
- we want exposure to a particular asset class over time, regardless of the current projection for this class.

A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantage of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

Short-term purchases. When utilizing this strategy, we purchase securities with the idea of selling them within a relatively short time (typically a year or less). We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase.

A short-term purchase strategy poses risks should the anticipated price swing not materialize; we are then left with the option of having a long-term investment in a security that was designed to be a short-term purchase, or potentially taking a loss.

In addition, this strategy involves more frequent trading than does a longer-term strategy, and will result in increased brokerage and other transaction-related costs, as well as less favorable tax treatment of short-term capital gains.

Short sales. We borrow shares of a stock for your portfolio from someone who owns the stock on a promise to replace the shares on a future date at a certain price. Those borrowed shares are then sold. On the agreed-upon future date, we buy the same stock and return the shares to the original owner. We engage in short selling based on our determination that the stock will go down in price after we have borrowed the shares. If we are correct and the stock price has gone down since the shares were purchased from the original owner, the client account realizes the profit.

Option writing. We may use options as an investment strategy. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an asset (such as a share of stock) at a specific price on or before a certain date. An option, just like a stock or bond, is a security. An option is also a derivative, because it derives its value from an underlying asset.

The two types of options are calls and puts:

- A call gives us the right to buy an asset at a certain price within a specific period of time. We will buy a call if we have determined that the stock will increase substantially before the option expires.
- A put gives us the holder the right to sell an asset at a certain price within a specific period of time. We will buy a put if we have determined that the price of the stock will fall before the option expires.

We will use options to speculate on the possibility of a sharp price swing. We will also use options to "hedge" a purchase of the underlying security; in other words, we will use an option purchase to limit the potential upside and downside of a security we have purchased for your portfolio.

We use "covered calls", in which we sell an option on security you own. In this strategy, you receive a fee for making the option available, and the person purchasing the option has the right to buy the security from you at an agreed-upon price.

We use a "spreading strategy", in which we purchase two or more option contracts (for example, a call option that you buy and a call option that you sell) for the same underlying security. This effectively puts you on both sides of the market, but with the ability to vary price,

time and other factors.

Item 9 Disciplinary Information

Sawtooth is required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

Our firm and our management personnel have no reportable disciplinary events to disclose.

Item 10 Other Financial Industry Activities and Other Business Activities

As previously disclosed, we recommend the services of various registered investment advisers to its clients. In exchange for this recommendation, we may receive a referral fee from the selected investment adviser. The fee received by us is typically a percentage of the fee charged by that investment adviser to the referred client. The portion of the advisory fee paid to us does not increase the total advisory fee paid to the selected investment adviser by the client. We do not charge the client any fees for these referrals. We will only recommend advisers that pay us a referral fee.

We are aware of the special considerations required under Rule 206(4)-3 of the Investment Advisers Act of 1940. As such, all appropriate disclosure shall be made and all applicable Federal and State laws will be observed.

Clients should be aware that the receipt of additional compensation by Sawtooth Asset Management, Inc. and its management persons or employees creates a conflict of interest that may impair the objectivity of our firm and these individuals when making advisory recommendations. Sawtooth Asset Management, Inc. endeavors at all times to put the interest of its clients first as part of our fiduciary duty as a registered investment adviser; we take the following steps to address this conflict:

- we disclose to clients the existence of all material conflicts of interest, including the potential for us or our employees to earn compensation from the referral of clients to other registered investment advisers;
- we disclose to the client in a separate disclosure document the compensation we receive in exchange for the client's referral to the selected investment adviser;
- we collect, maintain and document accurate, complete and relevant client background information, including the client's financial goals, objectives and risk tolerance;
- we conduct initial and periodic due diligence on the selected investment advisers to establish that the advisers are suitable to recommend to our clients; and
- we educate our employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients.

Consulting Services and Software Tools

Sawtooth provides a customizable asset management software program through a web-enabled platform ("Platform") primarily to other investment advisors and financial industry

companies ("Institutions"). Institutions, in turn, provide the Platform to their Advisors.

Sawtooth provides consulting services and software tools to selected Institutions. In addition, Sawtooth may license the Platform to certain Institutions. The Platform is typically customized and may be private labeled in the name of the applicable Institution. Institutions can provide the Platform to Advisors, who can use the Platform to manage the accounts of their respective clients. Advisors can use the Platform to manage the accounts of their respective clients, typically individuals and their related trusts or estates. The Platform provides Institutions and Advisors the ability to offer their clients a separate accounts program, various asset allocation programs and account reporting services. Sawtooth also allows Institutions to combine these programs to suit the needs of their clients.

Advisor Directed Models

Sawtooth offers Advisors, not affiliated with Sawtooth, the ability to create their own model portfolios for Clients. For Client's using an Advisor Directed Model, Sawtooth is providing only administrative services, provides no advisory services and is not responsible for the selection of the specific investment choices made with respect to an Advisor Directed Model.

Reporting Only Services

Sawtooth offers reporting services to allow Institutions and Advisors to monitor Investors' accounts. Advisors are able to examine their Clients' holdings, allocation of assets and portfolio performance. Performance reporting is calculated according to industry standards and is applied to each account or combination of several related accounts for a household's or family's assets.

Back Office Processing/ Billing and Custodial Services

Sawtooth provides back-office functions including daily account reconciliation and asset transfers. Sawtooth uses electronic data feeds from trading/clearing/custodial firms to streamline the account reconciliation process.

Sawtooth's billing software automates billing for Institutions and advisers. The Platform can accommodate a billing structure to include house-holding of accounts to capture scaling rates, several layers of combined accounts and assets, flat fee billing, credits, advance or arrear billing, daily weighted average billing and event triggered billing.

IARs Acting as Registered Representatives of Affiliated Broker/Dealers

Certain investment adviser representatives ("IARs") of Sawtooth may also act as registered representatives of an affiliated broker-dealer, Dempsey Lord Smith, LLC. Because of their dual roles, a conflict of interest may exist when these representatives recommend that an advisory client buy or sell securities. In all such cases, Sawtooth ensures that its IARs only recommend transactions for advisory clients that are in the best interest of the client.

IAR Acting as Commodity Trading Adviser ("CTA")

Raymond Douglas is a portfolio manager and an investment advisor representatives (“IAR”) of Sawtooth. He is also a Principal of a Commodity Trading Adviser (“CTA”), Core Global Capital, LLC. Because of his dual roles, a conflict of interest may exist. Sawtooth ensures that Mr. Douglas is not recommending any securities to his CTA clients and that he is not recommending any managed futures products to any Sawtooth Clients. Sawtooth and Core Global Capital are completely independent, have no affiliation and share no common ownership.

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

Sawtooth has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees, including compliance with applicable federal securities laws.

Sawtooth and our personnel owe a duty of loyalty, fairness and good faith towards our clients, and have an obligation to adhere not only to the specific provisions of the Code of Ethics but to the general principles that guide the Code.

Our Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as initial and annual securities holdings reports that must be submitted by the firm’s access persons. Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our code also provides for oversight, enforcement and recordkeeping provisions.

Sawtooth's Code of Ethics further includes the firm's policy prohibiting the use of material non-public information. While we do not believe that we have any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. You may request a copy by email sent to bradp@sawtootham.com, or by calling us at 952-831-0039 or may get one on our website: www.sawtootham.com

Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

Our firm and/or individuals associated with our firm may buy or sell for their personal accounts securities identical to or different from those recommended to our clients. In addition, any related person(s) may have an interest or position in a certain security(ies) which may also be recommended to a client.

It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, thereby preventing such employee(s) from benefiting from transactions placed on behalf of advisory accounts.

We may aggregate our employee trades with client transactions where possible and when compliant with our duty to seek best execution for our clients. In these instances, participating clients will receive an average share price and transaction costs will be shared equally and on a pro-rata basis. In the instances where there is a partial fill of a particular batched order, we will allocate all purchases pro-rata, with each account paying the average price. Our employee accounts will be in the pro-rata allocation.

As these situations represent actual or potential conflicts of interest to our clients, we have established the following policies and procedures for implementing our firm's Code of Ethics, to ensure our firm complies with its regulatory obligations and provides our clients and potential clients with full and fair disclosure of such conflicts of interest:

1. No principal or employee of our firm may put his or her own interest above the interest of an advisory client.
2. No principal or employee of our firm may buy or sell securities for their personal portfolio(s) where their decision is a result of information received as a result of his or her employment unless the information is also available to the investing public.
3. It is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account. This prevents such employees from benefiting from transactions placed on behalf of advisory accounts.
4. Our firm requires prior approval for any IPO or private placement investments by related persons of the firm.
5. We maintain a list of all reportable securities holdings for our firm and anyone associated with this advisory practice that has access to advisory recommendations ("access person"). These holdings are reviewed on a regular basis by our firm's Chief Compliance Officer or his/her designee.
6. We have established procedures for the maintenance of all required books and records.
7. Clients can decline to implement any advice rendered, except in situations where our firm is granted discretionary authority.
8. All of our principals and employees must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
9. We require delivery and acknowledgement of the Code of Ethics by each supervised person of our firm.
10. We have established policies requiring the reporting of Code of Ethics violations to our senior management.
11. Any individual who violates any of the above restrictions may be subject to termination.

Item 12 Brokerage Practices

For discretionary clients, Sawtooth Asset Management, Inc. requires these clients to provide us with written instructions on which broker dealer to use and the commission costs or fixed custodial fees that will be charged to these clients for these transactions. These clients must include any limitations on this discretionary authority in this written authority statement. Clients may change/amend these limitations as required. Such amendments must be provided to us in writing.

Best Execution

Sawtooth can recommend broker-dealers for client accounts. When so doing, Sawtooth has a fiduciary duty to seek best execution for client transactions. The Firm maintains written policies and procedures to evaluate the execution performance of broker-dealers. These policies are modeled after the guidelines articulated by the SEC. Specifically, we believe that best execution is largely a qualitative concept. Sawtooth may recommend or choose broker/dealers based on a variety of factors which may include:

- (i) the broker-dealer's capital depth and market access;
- (ii) Sawtooth's knowledge of negotiated commission rates and spreads currently made available;
- (iii) the nature and character of the markets for the security to be purchased or sold,
- (iv) the desired timing of the transaction;
- (v) the execution, clearance and settlement capabilities of the broker/dealer selected;
- (vi) the reasonableness of the commission or its equivalent (such as a mark-up or mark-down) for the specific transaction.

Sawtooth may not necessarily select the broker-dealer with the lowest commission or commission equivalent (such as a mark-up or mark-down) for a specific transaction, but instead may select a broker-dealer that provides specialized services, which justify the payment of higher commissions (or their equivalent) than those customarily paid for transactions requiring routine services.

Block Trading

Sawtooth will block trades where possible and when advantageous to clients. This blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple client accounts, so long as transaction costs are shared equally and on a pro-rated basis between all accounts included in any such block.

Block trading may allow us to execute equity trades in a timelier, more equitable manner, at an average share price. Sawtooth will typically aggregate trades among clients whose accounts can be traded at a given broker, and generally will rotate or vary the order of brokers through which it places trades for clients on any particular day. Sawtooth's block trading policy and procedures are as follows:

- 1) Transactions for any client account may not be aggregated for execution if the practice is prohibited by or inconsistent with the client's advisory agreement with Sawtooth Asset Management, Inc., or our firm's order allocation policy.
- 2) The trading desk in concert with the portfolio manager must determine that the purchase or sale of the particular security involved is appropriate for the client and consistent with the client's investment objectives and with any investment guidelines or restrictions applicable to the client's account.

- 3) The portfolio manager must reasonably believe that the order aggregation will benefit, and will enable Sawtooth to seek best execution for each client participating in the aggregated order. This requires a good faith judgment at the time the order is placed for the execution. It does not mean that the determination made in advance of the transaction must always prove to have been correct in the light of a "20-20 hindsight" perspective. Best execution includes the duty to seek the best quality of execution, as well as the best net price.
- 4) Prior to entry of an aggregated order, a written order ticket must be completed which identifies each client account participating in the order and the proposed allocation of the order, upon completion, to those clients.
- 5) If the order cannot be executed in full at the same price or time, the securities actually purchased or sold by the close of each business day must be allocated pro rata among the participating client accounts in accordance with the initial order ticket or other written statement of allocation. However, adjustments to this pro rata allocation may be made to participating client accounts in accordance with the initial order ticket or other written statement of allocation. Furthermore, adjustments to this pro rata allocation may be made to avoid having odd amounts of shares held in any client account, or to avoid excessive ticket charges in smaller accounts.
- 6) Generally, each client that participates in the aggregated order must do so at the average price for all separate transactions made to fill the order, and must share in the commissions on a pro rata basis in proportion to the client's participation. Under the client's agreement with the custodian/broker, transaction costs may be based on the number of shares traded for each client.
- 7) If the order will be allocated in a manner other than that stated in the initial statement of allocation, a written explanation of the change must be provided to and approved by the Chief Compliance Officer no later than the morning following the execution of the aggregate trade.
- 8) Sawtooth's client account records separately reflect, for each account in which the aggregated transaction occurred, the securities which are held by, and bought and sold for, that account.
- 9) Funds and securities for aggregated orders are clearly identified on Sawtooth's records and to the broker-dealers or other intermediaries handling the transactions, by the appropriate account numbers for each participating client.
- 10) No client or account will be favored over another.

Most clients will choose (and enter into a separate contractual relationship with) a broker/custodian ("Custodian") from a limited list for the assets they deposit into Sawtooth's program. Currently, Sawtooth has relationships with 4 Custodians that provide brokerage, clearing and custody services to clients in the Programs.

Some Representatives may limit their clients to a subset of these broker/custodians. Those advisers may be affiliated with one or more of these brokers/custodians and may require their clients to contract with that broker/custodian. If a Representative requires a client to utilize the services of an affiliated broker/custodian, the adviser may benefit.

Clients will generally pay an asset-based fee for the brokerage/custody/clearing services provided by the broker/custodian or a transaction based fee charged per trade (commissions), and those fees are NOT included in the Program Fee for a client. To the extent that such fees are not included in the Program Fee, the client will be so informed in writing. Such fees may be charged directly to the client. In addition, there may be certain fees that are not included in the brokerage/custody/clearing fees that a Client may be responsible for, such as annual retirement account fees or wiring fees. Several of the available brokers/custodians have minimum fees for client accounts which will be fully disclosed to clients in the applicable account documentation.

For our client accounts maintained with a Custodian, the Custodians generally do not charge separately for custody services but are compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through the Custodian or that settle into the Custodial accounts.

Custodians may also make available to our firm other products and services that benefit Sawtooth but may not directly benefit our clients' accounts. Many of these products and services may be used to service all or some substantial number of our client accounts, including accounts not maintained at that particular Custodian.

Custodian's products and services that assist us in managing and administering our clients' accounts include software and other technology that

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

Custodian's may also offer other services intended to help us manage and further develop our business enterprise. These services may include:

- i. compliance, legal and business consulting;
- i. publications and conferences on practice management and business succession; and
- ii. access to employee benefits providers, human capital consultants and insurance providers.

As disclosed above, Advisor participates in TD Ameritrade's institutional customer program and Advisor may recommend TD Ameritrade to Clients for custody and brokerage services. There is no direct link between Advisor's participation in the program and the investment advice it gives to its Clients, although Advisor receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. These benefits include the following products and services

(provided without cost or at a discount): receipt of duplicate Client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving Advisor participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts); the ability to have advisory fees deducted directly from Client accounts; access to an electronic communications network for Client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to Advisor by third party vendors. TD Ameritrade may also have paid for business consulting and professional services received by Advisor's related persons. Some of the products and services made available by TD Ameritrade through the program may benefit Advisor but may not benefit its Client accounts. These products or services may assist Advisor in managing and administering Client accounts, including accounts not maintained at TD Ameritrade. Other services made available by TD Ameritrade are intended to help Advisor manage and further develop its business enterprise. The benefits received by Advisor or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD Ameritrade. As part of its fiduciary duties to clients, Advisor endeavors at all times to put the interests of its clients first. Clients should be aware, however, that the receipt of economic benefits by Advisor or its related persons in and of itself creates a potential conflict of interest and may indirectly influence the Advisor's choice of TD Ameritrade for custody and brokerage services.

Custodians may make available, arrange and/or pay third-party vendors for the types of services rendered to Sawtooth. Custodians may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to our firm. Custodians may also provide other benefits such as educational events or occasional business entertainment of our personnel. In evaluating whether to recommend or require that clients custody their assets at Custodian we may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors we consider and not solely on the nature, cost or quality of custody and brokerage services provided by Custodian, which may create a potential conflict of interest.

Specifically, Sawtooth participates in the institutional customer program offered by TD AMERITRADE INSTITUTIONAL. TD AMERITRADE INSTITUTIONAL is a division of TD AMERITRADE Inc., FINRA/SIPC/NFA ("TD AMERITRADE"), an unaffiliated SEC-registered broker-dealer and FINRA member. TD AMERITRADE offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. Registrant receives some benefits from TD AMERITRADE as listed below:

Sawtooth receives from TD AMERITRADE certain additional economic benefits ("Additional Services") that may not be offered to any other independent investment advisors participating in the program. Specifically, the Additional Services include payment to ORION ADVISOR SERVICES, LLC for client web based reporting services

and is for the direct/and or indirect benefit of Sawtooth's clients. Payment in the amount of \$16,000 will be paid annually to ORION ADVISOR SERVICES, LLC for the web based reporting services described above. TD AMERITRADE provides the Additional Services in its sole discretion and at its own expense, and Sawtooth does not pay any fees to TD AMERITRADE for the Additional Services. Sawtooth and TD AMERITRADE have entered into a separate agreement ("Additional Services Addendum") to govern the terms of the provision of the Additional Services.

Sawtooth's receipt of Additional Services raises potential conflicts of interest. In providing Additional Services to Sawtooth, TD AMERITRADE most likely consider the amount and profitability to TD AMERITRADE of the assets in, and trades placed for, Sawtooth's client accounts maintained with TD AMERITRADE. TD AMERITRADE has the right to terminate the Additional Services Addendum with Sawtooth, in its sole discretion, provided certain conditions are met. Consequently, in order to continue to obtain Additional Services from TD AMERITRADE, Sawtooth may have an incentive to recommend to its clients that the assets under management by Sawtooth be held in custody with TD AMERITRADE and to place transactions for client accounts with TD AMERITRADE. Sawtooth's receipt of Additional Services does not diminish its duty to act in the best interests of its clients, including to seek best execution of trades for client accounts.

Sawtooth Asset Management, Inc.'s receipt of Additional Services does not diminish our duty to act in the best interests of our clients, including seeking best execution of trades for client accounts.

Item 13 **Review of Accounts, Reports**

PORTFOLIO MANAGEMENT SERVICES

Reviews

While the underlying securities within Individual MAP accounts are continually monitored as well as any Program Manager(s), these accounts are reviewed quarterly. Accounts are reviewed in the context of each client's stated investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment. Clients are referred to the Manager Disclosure Documents for information regarding the account review policies of the Program Managers.

Reviewers

Client MAP accounts are reviewed by Sawtooth's Chief Compliance Officer or other member of Sawtooth's senior management. Clients are referred to the Manager Disclosure Documents for information regarding the individuals who review accounts on behalf of the Program Managers.

Reports

In addition to the monthly statements and confirmations of transactions that Portfolio

Management Services clients receive from their broker-dealer, Sawtooth will provide quarterly reports summarizing account performance, balances and holdings. Sawtooth also makes available a web based performance reporting tool for those clients that so desire.

Financial Planning Clients

The accounts of Clients receiving financial planning services will be reviewed, if at all, as provided in the financial planning Agreement. The review will be conducted by the Representative, unless otherwise stated in the financial planning Agreement. Financial planning Clients will receive only the reports described in their financial planning Agreement.

Item 14 Client Referrals and Other Compensation

REFERRAL ARRANGEMENTS

Sawtooth may enter into arrangements with one or more third parties (each a Rep Recruiter) whereby the Rep Recruiter will refer prospective Representatives to Sawtooth, and in return, if the prospective Representative registers as a Representative and has clients who participate in MAP. Sawtooth may pay the Rep Recruiter an annual referral fee based on the value of MAP accounts for Clients of the referred Representative. Sawtooth may also enter into arrangements with independent investment advisers, broker-dealers, or their representatives whereby Sawtooth will pay an annual referral fee for each Client referred by such adviser, broker-dealer, or representatives.

Sawtooth is aware of the special considerations promulgated pursuant to Rule 206(4)-3 under the Investment Advisers Act of 1940, and any comparable state regulations. Although the Rep Recruiter will not typically engaged in solicitation activities with respect to any particular Client or prospective Client (and would, therefore, not be considered to be a solicitor under such rules), if the Rep Recruiter does engage in solicitation activities with a Client or prospective Client, the Rep Recruiter shall conform to the requirements applicable to Advisors other solicitors with respect to such solicitation activities.

The amount (or range of amounts) of referral fees will be disclosed to the Client or prospective Client in the Solicitor Disclosure Document. The Fee paid by a Client who participates in MAP and is referred by a Representative who was referred by a Rep Recruiter, or by an independent adviser, broker-dealer, or representative may be higher (by the amount Sawtooth pays in referral fees) than the Fee the Client would have been charged if the Representative or the Client had not been so referred. A Solicitor's Disclosure Document will be provided to each Client who is solicited, and the Firm will retain the clients signed acknowledgement of receiving this Brochure, the Managers Disclosure

Item 15 Custody

Sawtooth will not maintain physical possession (custody) of the funds or securities of any managed Client account.

We previously disclosed in the "Fees and Compensation" section (Item 5) of this Brochure that our firm directly debits advisory fees from client accounts. While Sawtooth does not have custody, payment of fees may be paid by the custodian from the custodial brokerage account that holds Client funds. In certain jurisdictions this may be deemed constructive custody. Prior to permitting direct debit of fees each Client provides written authorization permitting fees be made direct from the custodian.

Sawtooth will provide each Client and each custodian a bill showing the amount of the fee and the way in which it was calculated. The custodian sends every Client an account statement not less than monthly showing all account activity, including the amounts disbursed from the account to Sawtooth.

Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact us directly if they believe that there may be an error in their statement.

In addition to the periodic statements that clients receive directly from their custodians, we also make available quarterly reports on our web based reporting system. We urge our clients to carefully compare the information provided on these statements to ensure that all account transactions, holdings and values are correct and current.

Our firm does not have actual or constructive custody of client accounts.

Item 16 Investment Discretion

Clients may hire us to provide discretionary asset management services, in which case we place trades in a client's account without contacting the client prior to each trade to obtain the client's permission.

Our discretionary authority includes the ability to do the following without contacting the client:

- determine the security to buy or sell; and/or
- determine the amount of the security to buy or sell

Clients give us discretionary authority when they sign a discretionary agreement with our firm, and may limit this authority by giving us written instructions. Clients may also change/amend such limitations by once again providing us with written instructions.

Item 17 Voting Client Securities

Proxy Voting

Neither Sawtooth nor any Program Manager will vote or accept authority to vote proxies on behalf of its Clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in Client accounts. However, Sawtooth or a Program Manager may, in their discretion, provide advice to Clients regarding the voting of proxies.

Class Actions, Bankruptcies and Other Legal Proceedings

Client's should note that neither Sawtooth nor any Program Manager will advise or act on

behalf of the Client in legal proceedings involving companies whose securities are held or previously were held in the Client's account(s), including, but not limited to, the filing of "Proofs of Claim" in class action settlements. If desired, Clients may direct Sawtooth to transmit copies of class action notices to the Client or a third party. Upon such direction, Sawtooth will make commercially reasonable efforts to forward such notices in a timely manner. We do not offer any consulting assistance regarding proxy issues to clients.

Item 18 **Financial Information**

Under no circumstances do we require or solicit payment of fees in excess of \$1200 per client more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

Sawtooth has not been the subject of a bankruptcy petition at any time during the past ten years.

Item 19 **Other Matters**

Suitability of Investments

A transactions suitability for the Client shall be determined as of the date the transaction was executed for the Clients account. All transactions effected for the Clients account will be deemed to be suitable in light of the Clients financial situation, investment objectives, risk tolerance, and investment time horizon, unless written notice to the contrary is received by the Sawtooth within 10 business days following the Clients receipt of the Custodians statement reflecting such transactions.

Conflict Between Brochure and Agreement

In the event of any discrepancy or conflict between the information contained in this Brochure and the Agreement, the Agreement shall control.

Use of Term "Registered Investment Adviser"

Clients should be aware that the term Registered Investment Adviser does not imply any certain level of skill or training.

Short-term Gains and Losses for Tax Purposes

Clients should note that if a Program Manager effects short-term transactions on behalf of Client accounts, such transactions may result in short-term gains or losses for federal and state tax purposes. Clients should review the treatment of such tax consequences with his or her accountant or tax counsel.

Privacy Policies

Sawtooth seeks to carefully safeguard the Clients personal information. When processing transactions or managing accounts on the Clients behalf, Sawtooth will maintain physical, electronic and procedural safeguards to protect the Clients non-public personal information. Sawtooth may disclose non-public personal information to non-affiliated third parties, such as brokers and custodians, as necessary to facilitate the acceptance and

management of our relationship with the Client. Sawtooth may also disclose the Clients nonpublic personal information to other financial institutions with whom Sawtooth has joint business arrangements for proper business purposes.

In addition, a Clients non-public personal information may be released to the Client, to the Clients authorized agent or representative, or if Sawtooth is compelled to do so by law, or in connection with any government or self-regulatory organizational request or investigation. Finally, Sawtooth may disclose the Clients non-public personal information to companies Sawtooth hires to help administrate its business. Companies Sawtooth hires to provide these types of services are strictly prohibited from using the Clients personal information for their own purposes and are contractually obligated to maintain strict confidentiality.

A copy of our Privacy Policy is available to our advisory clients and prospective clients. You may request a copy by email sent to bradp@sawtootham.com, or by calling us at 952-831-0039 or may get one on our website: www.sawtootham.com