

# **Sadoff Investment Management, LLC**

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**July 2, 2019**

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

This brochure provides information about the qualifications and business practices of Sadoff Investment Management, LLC. If you have any questions about the contents of this brochure, please contact us at (414) 352-8460. 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 Sadoff Investment Management, LLC is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for Sadoff Investment Management, LLC is 105160.

Sadoff Investment Management, LLC 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 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.

Generally, Sadoff Investment Management LLC will notify clients of material changes on an annual basis. However, where we determine that an interim notification is either meaningful or required, we will notify our clients promptly. In either case, we will notify our clients in a separate document.

Since the filing of our last annual updating amendment, dated February 8, 2019 we have no material changes to report.

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## Item 4 Our Advisory Business, Services and Fees

### **Description of Services, Investments and Fees**

Sadoff Investment Management LLC ("firm/Sadoff/we") is registered with the Securities and Exchange Commission (S.E.C.) as an investment adviser. The firm provides investment advisory services for its clients. The firm is based in Milwaukee, Wisconsin. We are organized as a limited liability company under the laws of the State of Wisconsin. We have been providing investment advisory services since 1978. Ronald Sadoff, Bryan Sadoff, and Michael Sadoff are the firm's investment advisors.

You may see the term Associated Person throughout this Brochure. As used in this Brochure, our Associated Persons are our firm's partners, employees and all individuals providing investment advice on behalf of our firm.

### **Portfolio Management Services**

Our investment advisory services consist of providing continuous investment advice. Your funds are managed on a discretionary basis. Our investment advice is tailored to meet your needs and investment objectives. If you retain our firm for portfolio management services, we will discuss with you 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 from our initial conversation(s) to develop a strategy that enables our firm to provide you with continuous investment advice and to make investments on your behalf. As part of our portfolio management services, we will construct an investment portfolio for you in accordance with your risk tolerance and investing objectives. Once we construct an investment portfolio for you, we will monitor your portfolio on an ongoing basis and we will rebalance and manage the portfolio as we feel necessary as required by changes in market conditions and changes in your financial circumstances. We also offer advice on clients' other financial matters.

Sadoff requires their clients to grant the firm discretionary authority to manage their portfolio. Prior to hiring us, you will have to sign an advisory agreement with the firm. Discretionary basis grants us a power of attorney to determine which securities, the amount of securities, the timing of the investments to be purchased and sold for your account(s), on your behalf without obtaining your approval beforehand. Discretionary authority is typically granted by a power of attorney. A client may limit the firm's discretionary authority, by providing our firm with your restrictions and guidelines in writing. (For example, limiting the types of securities that can be purchased for your account.)

### **Types of Investments**

We primarily recommend the following types of securities: equity securities (stocks), including exchange listed securities, securities traded over-the-counter, exchange traded funds (ETFs), corporate debt securities, municipal securities, money market funds and USA government securities and their agencies. Generally, to a lesser extent, we may also recommend mutual funds, foreign issues, convertibles, closed-end funds, preferred's, commercial paper and certificates of deposit. Each client has different needs and different tolerance for risk, so not all investments may be appropriate. Additionally, we may advise you on other types of investments that we deem appropriate based on your stated goals and objectives. We may also provide advice on other types of investments held in your portfolio at the inception of our advisory relationship or that may subsequently transfer in later.

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

**Stocks:** There are numerous ways of measuring the risk of equity securities (equities or stock). In very broad terms, the value of a stock depends on the financial health of the company. However, stock prices can be affected by many other factors including, but not limited to, the class of stock, the health of the market sector and the overall health of the economy. The mere size of the company is not, by itself, an indicator of the safety of the investment.

**Bonds:** Corporate debt securities, Treasury securities and municipal securities (bonds) are typically safer investments than equity securities, but their risk can vary widely based on; the financial health of the issuer, inflation, the overall health of the economy, the risk that the issuer might default or miss a payment, when the bond is set to mature and whether or not the bond can be 'called' prior to maturity. When a bond comes due or is called, it may not be possible to replace it with a bond of equal character and return.

**Money Market Funds:** A money market fund is technically a security. Generally, the fund manager attempts to keep the share price at \$1 per share. However, there is no guarantee that the share price will stay at \$1 per share. If the share price goes down, you can lose principal. This includes purchased money market mutual funds. The U.S. Securities and Exchange Commission (SEC) notes, "While investor losses in money market funds have been rare, they are possible." Money market fund rates are variable. The rate could go up or down, causing you to earn more or less interest than anticipated. A final risk impacting money market funds has to do with inflation. Over long periods of time, inflation can eat away at your returns. Because money market funds are safer than other investments like stocks or bonds, over longer time periods, money market fund returns tend to be less than stock and bond returns.

**Exchange Traded Funds:** Exchange Traded Funds (ETFs) are professionally managed collective investment systems that pool money from many investors and typically invest in stocks, bonds, short-term money market instruments, mutual funds and/or other securities and/or a combination thereof. The fund will have a manager that invests the fund's assets in accordance with the fund's objective. While ETFs generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market, uses a specific security type and/or uses leverage. ETFs differ from mutual funds since they can be bought and sold throughout the trading day and like a stock their price will fluctuate throughout the day. The returns on ETFs will be reduced by the costs to manage the fund.

### **Assets Under Management**

As of December 31, 2018, we managed \$1,221,010,573 in client assets on a discretionary basis.

### **Our Fees**

Our annual investment management fee for our management services is 1.00% of the assets we manage and a minimum quarterly fee of \$1,875 may apply. Our fee is billed and payable quarterly in advance based on the fair market value of your account(s) at the beginning of a quarterly period. As our fees have changed over time, and given that fee increases generally do not affect existing clients, not all clients are subject to the same fee schedule. We do not charge extra for our newsletter or financial planning services.

Our advisory fee is generally not negotiable; however, at our discretion, we may reduce our fee for clients who place significant assets under our management. Comparable services and/or lower fees may be available through other firms.

If the portfolio management agreement is executed at any time other than the first day of a quarter, our fee may be applied on a pro rata basis, which means that the first advisory fee is payable in proportion to the number of days remaining in the quarter for which you become a client.

Unless you opt out, we will send you a quarterly invoice for the payment of our advisory fee. We will

deduct our fee directly from your account(s) through the qualified custodian that holds your accounts that we manage. We will deduct our advisory fee only when you have given our firm authorization that permits the fees to be paid directly from your account(s). Further, the qualified custodian will deliver an account statement to you at least quarterly. These account statements will show all disbursements from your account(s) including our management fee. You should review all statements for accuracy. We will also receive a duplicate copy of your account statements. Otherwise, if you do not want the fee taken out of your account you will pay us directly by mailing a check.

You may terminate the portfolio management agreement upon 45-days advance written notice to our firm. Our firm may do the same. You will incur a pro rata charge for services rendered prior to the effective termination date of the portfolio management agreement as determined by the firm. This means you will incur advisory fees only in proportion to the number of days in the quarter for which you are a client. If you have pre-paid advisory fees that we have not yet earned, you will receive a prorated refund of those fees from the effective termination date.

## Item 5 Fees and Compensation

Please refer to the Advisory Business Section in this brochure for information on our advisory fees.

### **Additional Fees and Expenses**

Our advisory fees are separate and distinct from custodian fees, brokerage fees (trading commissions), exchange traded fund fees, closed-end fund fees and mutual fund fees. The fees a mutual fund, closed-end and exchange traded fund may charge are disclosed in each fund's prospectus. The fees a brokerage firm may charge for trading, custody and their services are available from the custodian. To fully understand the total cost you will incur, you should review all of these various fees.

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

This does not apply to our firm and our clients as we do not accept performance-based fees or participate in side-by-side management.

## Item 7 Types of Clients

We offer investment advisory services to individuals, couples, retirees, IRA accounts, 401K accounts, pension and profit sharing plans, trusts, estates, charitable organizations, foundations, corporations, endowments and other business entities.

In general, at this time, we require a minimum of \$1,000,000 to open an advisory account. At our discretion, we may waive this minimum account size. For example, we may waive the minimum if you appear to have significant potential for increasing your assets under our management. Generally, once you are a client, you do not need to maintain this minimum threshold to remain a client, though a minimum quarterly \$1,875 fee may apply.

## 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 advice to you:

- **Charting Analysis** - involves the gathering and processing of price, momentum, relative strength and/or volume information for a particular security, industry or index. This price and volume information is analyzed using mathematical equations. The resulting data is then applied to graphing charts, which is used to predict future price movements based on price patterns and trends.
- **Fundamental Analysis** - involves analyzing individual companies and their industry groups, such as a company's financial statements, details regarding the company's product line, the experience and expertise of the company's management, and the outlook for the company's industry. The resulting data is used to measure the true value of the company's stock compared to its current market value, relative value and expected future value. 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 and/or more than the overall market regardless of the economic and financial factors considered in evaluating the security.
- **Technical Analysis** - involves studying past price patterns, moving averages, stock market data and trends in the financial markets to predict the direction of the overall market, specific stocks and industry groups.
- **Cyclical Analysis** - a type of technical analysis that involves evaluating recurring price patterns and trends, including economic forecasting and interest rate forecasting.
- **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 one year.
- **Short Term Purchases** - securities purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short term price fluctuations.

A large portion of our client's assets are advised using long-term purchases. Long-term purchases may also be affected by unforeseen long term changes in the underlying investment in which you are invested or in the overall market or economy.

We may also use short-term trading as an investment strategy when managing your account(s). Short-term trading is not a fundamental part of our overall investment strategy, as it generally involves a greater degree of risk, but we may use this strategy occasionally when we determine that it is suitable given your stated investment objectives and tolerance for risk.

We closely monitor the Federal Reserve Board because we believe they create the overall environment for investing. We also watch inflationary pressures and interest rates to help us determine the direction of the economy and the financial markets. For the equity portion of the portfolio we will invest primarily in individual stocks that are part of an industry group that are breaking out of multi-year downtrends, in which we believe they are undervalued. The equity side of the portfolio might consist of 5-15 different industries with not much more than 20% invested into one industry and not much more than 5% invested into one stock on a cost basis amount. For the fixed income portion of the portfolio (if any) we will invest in more high-quality, income-producing financial instruments, like Treasury Bonds, corporate bonds, municipal bonds, preferred's, convertibles, closed-end funds, exchange traded funds and/or high-

dividend paying stocks. For more information please see the risk of loss section below.

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. We rely on you to update us with changes regarding these inputs.

We may use financial publications, annual reports, prospectuses, SEC filings, company press releases, corporate rating services, outside research and our own internal research to help make our investment decisions.

Our strategies and investments may have unique and significant tax implications. Tax-exempt investments may be subject to the alternative minimum tax. However, unless we specifically agree otherwise, and in writing, tax efficiency is not our primary consideration in the management of your assets. By partnering with us for discretionary management, our firm will notify the custodian of which closing tax lot account methodology to utilize. The firm reserves the right to change the method, and to do so without notice. If you prefer a certain accounting method, please provide written notice to our firm immediately and we will notify your custodian. Please note that decisions about cost basis accounting methods will need to be made before a trade settles. Regardless of your account size or any other factors, we strongly recommend that you continuously consult with a tax professional prior to and throughout the investing of your assets. Our firm is not qualified to render accounting, tax, legal or insurance advice.

### **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 conditions, market corrections and/or market declines. We cannot (and do not) 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. The firm does not guarantee the outcome of any plan, strategy or recommendation. Our strategy may not work going forward and/or that we may underperform the major indices sometimes for long time periods and/or this strategy may lose money, sometimes significant and/or this strategy could be more volatile than the overall market, and/or may be less diversified than the overall market.

At times clients will have cash in their accounts. This cash will typically be invested in a money market mutual fund. Money market funds may not be FDIC insured nor guaranteed by the USA government. There can be no assurance that these funds will be able to maintain a stable net asset value of \$1 per share. The fund may impose redemption fees and gates. The fund's sponsor has no legal obligation to, and should not be expected to; provide financial support to the fund at any time. It is possible to lose money by investing in money market funds, including purchased money market mutual funds.

**Effect of withdrawals:** Clients making withdrawals, one-time substantial withdrawals and/or cumulative withdrawals (substantial or not) over a period of time, could require liquidation of security positions that may not be desirable, possibly reducing the value of the client's account and/or disrupting the Firm's investment strategy. Reduction in assets could make it more difficult to generate a positive return and/or recoup losses and/or risk the long-term solvency of the account.

**Retirement Rollovers – a potential conflict of interest:** A prospective client or an existing client, when leaving an employer typically has options regarding an existing retirement plan account. i) If possible, the money can remain in the plan. ii) If possible, the money can be moved to the new employer's plan. iii)



Can rollover the assets to an individual retirement account (IRA) or iv) cash out of the plan (which can result in adverse tax consequences). If the Firm recommends that one moves the assets to an IRA Rollover account to be managed by the Firm, such a recommendation creates a conflict of interest because the Firm likely would not be able to manage the assets otherwise. No-one is under any obligation to rollover a retirement plan account to be managed by the Firm.

Client may incur a loss if their custodian becomes insolvent. Client should contact their custodian regarding SIPC (Securities Investor's Protection Corporation) coverage and its limitations.

You are advised that investing in securities of any type involves a risk of loss.

## Item 9 Disciplinary Information

Neither Sadoff Investment Management, LLC nor any of its management persons has any reportable disciplinary information.

## Item 10 Other Financial Industry Activities and Affiliations

### **Business Relationships with Other Advisers**

Via a joint venture agreement, Sadoff works with Alex Green Investment Management LLC, (Green) – an Illinois based investment advisory firm, on a cooperative basis. Not all Sadoff clients are part of this joint venture. For those clients that are part of this joint venture Green's primary responsibilities are sales, marketing and client service. Sadoff's primary responsibilities are research, strategy, reporting and investment management on a discretionary basis. Sadoff may also assist with sales, marketing and client servicing for these clients as well. Under this arrangement Green will refer prospects to Sadoff. Such prospects are not obligated to retain Sadoff for advisory services. Green has a financial incentive to recommend Sadoff and an incentive to recommend that clients stay with Sadoff. Green receives a percentage of the advisory fees earned from clients retained by Sadoff. If Green is unavailable, the client has a question or complaint; the client should contact Sadoff directly.

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

### **Code of Ethics**

We strive to comply with applicable laws and regulations governing our practices. Therefore, our Code of Ethics ('Code') includes guidelines for professional standards of conduct for our Associates Persons. Our goal is to protect our clients' interests and to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing with them. The Code is in place to attempt to prevent abuse or conflict of interest of an Associates Person's position of trust and responsibility. All of our Associates Persons are expected to adhere to these guidelines. Persons associated with our firm are required to report any violations of this Code.

Our Code of Ethics is available upon request. You may obtain a copy of Code of Ethics by contacting our firm at (414) 352-8460.

### **Personal Trading Practices**

Our firm or persons associated with our firm may buy or sell the same securities that we recommend to

you or may buy or sell the same securities in which clients are already invested or buy or sell the same securities that may soon be invested in for you. A conflict of interest exists in such cases because the firm (and its Associated Persons) has the ability to trade ahead of the firms' clients and potentially receive more favorable prices than they will receive. To mitigate 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. Purchase and sales of such client securities transactions shall be placed before our firm or persons associated with our firm.

## Item 12 Brokerage Practices

### **Directed Brokerage/Recommendation of Brokers**

Clients will generally direct the firm to execute securities transactions through a specific broker dealer or custodian. Clients should be aware, that by doing so, you may not necessarily receive the best execution at a competitive commission. Not all advisers require their clients to direct brokerage.

In the event that a client does not direct brokerage we may execute securities transactions through the Schwab Advisor Services, a division of Charles Schwab & Co., Inc. ("Schwab"), a registered securities broker-dealer and a member of the Securities Investor Protection Corporation, or TD Ameritrade, Inc. ("Ameritrade"), a securities broker-dealer and a member of the Financial Industry Regulatory Authority, National Futures Association and the Securities Investor Protection Corporation. Although we may recommend that you establish accounts at Schwab and/or Ameritrade, it is your decision to custody assets with them. You will be entering into an account agreement directly with them. We do not open the account(s) for you, although we may assist in doing so. The custodian will hold your assets in a brokerage account and buy and sell securities when we instruct them to do so. We are independently owned and operated and not affiliated with either firm.

We may also execute transactions through other broker/dealers. Regardless of Schwab, Ameritrade or another that we choose, we will seek a credit worthy firm that provides discounted commission rates, competitive and prompt execution (capability to execute, clear and settle trades promptly), and is responsive to the reporting and trading needs of the firm and our clients. We also consider the quality of the brokerage services (capability to facilitate transfers and payments to and from accounts), breadth of available investment products, the firm's reputation and the availability and value of the investment research provided. In recognition of the value of research services and additional brokerage products and services each brokerage firm provides, you will not necessarily pay the lowest commission available. Further, in order to minimize trading costs, we will almost always (if not always) have the custodian execute the trades for your account. In addition to regular trading commissions some will charge a trade away fee for each trade that is executed by a different broker that settles into your account. Additionally the executing broker will charge a fee as well. The best execution trade price is not the sole factor the firm considers when evaluating best execution therefore we are not obligated to seek competitive bids/offers. We have determined that having each custodian execute trades is consistent with our duty to seek best execution of our trades.

### **Research and Other Benefits**

We participate in TD Ameritrade's Institutional customer program and may recommend TD Ameritrade to Clients for custody and brokerage services. There is no direct link between our participation in the program and the investment advice we give to our Clients. Our firm does receive benefits from being on this platform.

Our firm also participates in the TD Ameritrade Institutional program offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC/ 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. Our firm receives some benefits from Ameritrade through our participation in this Institutional program. We participate in TD Ameritrade's Institutional customer program and may recommend TD Ameritrade to clients for custody and brokerage services.

This is no direct link between our firm's participation with Schwab and Ameritrade and the investment advice we give to our clients. Our firm does receive economic benefits through our participation that are typically not available to their retail investors. These benefits include the following products, software and services (provided without cost or at a discount); receipt of duplicate Client statements and trade confirmations; research related products and tools; consulting services; access to a trading desk serving adviser participants; access to block trading; securities pricing; assistance with back office functions and recordkeeping; the ability to have fees deducted from Client accounts; access to an electronic communication network for Client order entry; execution of securities transactions; custody of Clients assets and account information; access to some mutual funds and some exchange traded funds with no transaction fees and access to certain institutional money managers and investments that may otherwise not be available; and discounts on compliance, marketing, research, technology and practice management products or services provided to our firm from third party vendors. Schwab and/or Ameritrade may also have paid for business consulting and professional services received by our firm's associated persons. Some of the products and services made available by them may benefit our firm but not benefit you nor your accounts. These products and services may assist our firm in managing and administering Client accounts, including accounts not maintained by them. Other services made available by them are intended to help our firm manage and further develop our business enterprise such as compliance, legal and business consulting and publications. The benefits received by our firm or its personnel through participation in their offerings do not depend on the amount of brokerage transactions directed by our firm to each of them. As part of our fiduciary duties to our Clients we endeavor to put the Clients' interests first. You should be aware, however, that the receipt of economic benefits by our firm or our associated persons in and of itself creates a potential conflict of interest and may indirectly influence our firm's choice of Schwab and/or Ameritrade for custody and brokerage services for your account(s). They each may also provide other benefits such as educational events or occasional business entertainment to us.

### **Soft Dollar Benefits**

In selecting a broker-dealer, we may consider the value of research and additional brokerage products and services a broker-dealer has provided or will provide to our clients and to our firm. Receipt of these additional brokerage products and services are considered to have been paid for with "soft dollars". Because such services provide a benefit to our firm, we may have a conflict of interest in directing your brokerage business or selecting a custodian. We could receive benefits by selecting a particular broker-dealer to execute your transactions, and that transaction compensation charged might not be the lowest compensation we might be otherwise able to negotiate.

Products and services we may receive may consist of research products, economic data, surveys and analysis, financial publications, recommendations or other information about particular companies and industries, and other product and services; such as software and databases that provide lawful and appropriate assistance to our firm in the performance of our investment decision-making responsibilities. We use such products in our general investment decision making, not just for those accounts for which commissions may be considered to have been used to pay for the products or services.

There is an inherent conflict of interest involved in the process of allocating the value of certain 'mixed use' products purchased with soft dollars, when the product provides both research and administrative benefits to the firms and its clients. In these instances the firm will attempt to make a reasonable allocation of the cost of the products and services so that the portion of the cost that is attributed to the making of investment decisions is less than the portion paid with soft dollars.

Before placing orders with a particular broker-dealer, we determine that the commission to be paid is reasonable in relation to the value of the brokerage and research products and services provided by that broker-dealer. In some cases, the commissions charged by a particular broker for a particular transaction or set of transactions may be greater than the amounts charged by another broker-dealer that did not provide research services or products. We do not exclude a broker-dealer from receiving business simply because the broker-dealer does not provide our firm with soft dollar research products and services. However, we may not be willing to pay the same commission to such a broker-dealer as we would have paid had the broker-dealer provided such products and services.

The products and services we receive from broker-dealers will generally be used in servicing all of our clients' accounts. Our use of these products and services will not be limited to the accounts that paid commissions to the broker-dealer for such products and services. In addition, we may not allocate soft dollar benefits to your accounts proportionately to the soft dollar credits the accounts generate. As part of our fiduciary duties to you, we endeavor to put your interests first. You should be aware that the receipt of economic benefits by our firm is considered to create a conflict of interest. Examples of soft dollar benefits received during our last fiscal year include Bloomberg, BCA Research and Ned Davis Research. This is not an exhaustive list and it will change from time to time. We have instituted certain procedures governing soft dollar relationships including preparation of a soft dollar budget, mandated reporting of soft dollars and an annual revision of our soft dollar relationships.

### **Brokerage for Client Referrals**

From time to time we may receive client referrals from registered representative (brokers) or various unaffiliated stock brokers and broker-dealers (brokerage firms). If you are referred to us through a broker we will typically execute all of your trades through the broker who referred you to our firm. Hiring our firm will likely not alter the fee schedule between you and your broker. Often the fee schedule is already in place and agreed upon between you and the broker before we are referred or hired. A conflict of interest exists because we have an incentive to execute your transactions through this broker in exchange that they will continue to recommend our firm to you, future referrals and other clients we may have with them. You should discuss your trading rate with your broker as this arrangement will likely cause you to pay higher commission rates than those available through other broker-dealers that we generally recommend that are not based on a referral. These fees are not negotiated by Sadoff. We do not share fees with these brokers. Further, our procedures mandate that we periodically evaluate best execution for our clients, because your commission rates may be higher (sometimes significantly) your account will likely not meet our definition of best execution.

### **Block Trades**

Sadoff Investment Management seeks to allocate portfolio transactions equitably. The firm may combine multiple orders for shares of the same securities, (block trading). We will try to distribute a portion of the shares to participating accounts in a fair and equitable manner. In making such allocation we may consider the respective tax status of the account, the holding period of the security, the individual security's gain/loss, the gain/loss of the client, the client's custodian, the client's investment objectives, market liquidity, the relative size of portfolio holdings of the same or comparable securities and/or the availability of cash for investment. Hence not all orders will be blocked. It is not based on account performance or the amount of the management fee. The Firm may block orders when consistent with best execution and under appropriate circumstances. Each participating account in the block trade will receive the same average price per share for that trade. The trading cost for any one account may not be reduced because of block trading. For clients that have directed us to use certain broker-dealers, such accounts may not necessarily receive the benefits of block order execution and may be subject to higher execution costs. Since all accounts may not participate in a block transaction, all clients' transactions will not be done at the same price and will not be done on the same day.

## Item 13 Review of Accounts

The investment advisors of our firm, Ronald Sadoff, Bryan Sadoff, and Michael Sadoff will monitor clients' accounts on an ongoing basis and will conduct account reviews at least monthly to ensure that the advisory services provided are consistent with the stated investment needs and objectives of each client. The firm reviews account holdings and performance. Additional reviews may be conducted based on various circumstances, including, but not limited to:

- Increased volatility of the account or market;
- Changes in your objectives;
- Changes in our recommendations or strategies; and/or,
- Client deposit or withdrawal of funds from their account.

There are no fixed limits on the number of accounts assigned to the reviewers. The client will receive trade confirmations and monthly (or quarterly) statements direct from the account custodian(s). Additionally, the firm will provide the client with the firm's monthly newsletter and a year-end review of the account. Clients are urged to compare the custodians' statements with the statements provided by our firm.

## Item 14 Client Referrals and Other Compensation - Referrals of Clients

### ***Client Referrals***

#### ***TD Ameritrade***

We receive an economic benefit from TD Ameritrade ("Ameritrade") in the form of support products and services it makes available to us because we have clients that maintain their accounts at Ameritrade. These products and services, how they benefit us and the related conflicts of interest are described above in the Brokerage Practices section. The availability to us of Ameritrade's products and services is not based on us giving particular investment advice nor buying particular securities for our clients. We may receive client referrals from TD Ameritrade through our participation in the TD Ameritrade AdvisorDirect referral program. ("Ameritrade" and "referral program".) In addition to meeting the minimum eligibility requirements for participation in this referral program, we also may have been accepted to participate in AdvisorDirect based upon our profitability to Ameritrade and/or the amount of assets in our clients' accounts maintained with Ameritrade. Ameritrade is a discount broker-dealer independent and unaffiliated with our firm and there is no employee or agency relationship between us. Ameritrade does not supervise our firm and has no responsibility for our firm's management of clients' portfolios or our firm's other advice or services. Ameritrade has established the referral program as a means of referring its customers to investors seeking fee-based investment management or financial planning services to independent investment advisors. TD Ameritrade does not supervise Advisor and has no responsibility for Advisor's management of client portfolios or Advisor's other advice or services. Advisor pays TD Ameritrade an on-going fee ("solicitation fee"), not to exceed 25 basis points for each successful client conversion. We will also pay a fee on any advisory fees received by our firm from any of a referrals client's family members, including a spouse, child or any other immediate family members who resides with the referred client and hired our firm based on the recommendation of such referred client. We will not charge clients referred through the program any fees higher than our standard fee or pass Ameritrade's program fee to its referred clients. For information regarding additional or other fees paid directly or indirectly to Ameritrade please refer to the TD Ameritrade AdvisorDirect Disclosure and Acknowledgement Form.

Our firm's participation in this program raises potential conflicts of interest. Ameritrade will most likely

refer clients through the program to investment advisors that encourage their clients to custody their assets at Ameritrade and whose clients accounts are profitable to Ameritrade. Consequently, in order to obtain client referrals from Ameritrade, we may have an incentive to recommend to our clients that assets under our management be held in custody at Ameritrade and that our clients transactions be placed through Ameritrade. In addition, we have agreed not to solicit clients referred through the program to transfer their accounts away from Ameritrade or to establish brokerage or custody accounts at other custodians, except when our fiduciary duties require us to do so. Our firm's participation in the program does not diminish our duty to seek best execution of trades for the clients referred to us through this program.

#### *Charles Schwab*

We receive an economic benefit from Charles Schwab ("Schwab") in the form of support products and services it makes available to us because we have clients that maintain their accounts at Schwab. These products and services, how they benefit us and the related conflicts of interest are described above in the Brokerage Practices section. The availability to us of Schwab's products and services is not based on us giving particular investment advice nor buying particular securities for our clients. We may receive client referrals from Charles Schwab ("Schwab") through our participation in the Schwab Advisor Network ("Service"). This Service is designed to help investors find an independent investment advisor. Schwab is a broker-dealer independent of and unaffiliated with our firm. Schwab does not supervise our firm and has no responsibility for our management of our clients' portfolios or our other advice or services. The on-going fee we pay Schwab is a percentage of the fee the clients owe to our firm. We pay Schwab this fee as long as the referred client's accounts remains in custody at Schwab. The fee is billed to our firm quarterly and may be increased, decreased or waived by Schwab from time to time. The fee is paid by our firm and not by the client. We have agreed not to charge the clients referred through the service fees or costs greater than fees or costs we charge clients with similar portfolios who were not referred through the Service from Schwab. We pay Schwab a fee on all referred clients' accounts that are maintained in custody at Schwab. We generally pay a non-custody fee if custody of a referred client's account is not maintained by, or assets in the accounts are transferred to another custodian. This fee does not apply if the client was solely responsible for the decision not to maintain custody at Schwab. The non-custody fee is a one-time payment equal to a percentage of the assets placed with a custodian other than Schwab. This non-custody fee is higher than the regular on-going fee that we would generally pay in a single year. Thus, we will have an incentive to recommend that clients' accounts stay at Schwab.

Our firm's participation in this Service raises potential conflicts of interest. Schwab will most likely refer clients through the Service to investment advisors that encourage their clients to custody their assets with them and whose clients accounts are/will be profitable to Schwab. Consequently, in order to obtain client referrals from Schwab, we may have an incentive to recommend to our clients that assets under our management be held in custody at Schwab and that our clients transactions be placed through Schwab. Our firm's participation in the Service does not diminish our duty to seek best execution of trades for the clients referred to us through this Service.

#### *Client Referrals*

Our firm has a joint venture with Alex Green Investment Management LLC. Please refer to the '*Other Affiliation*' section for this disclosure. Please refer to the *Brokerage Practices* section for disclosures on our referral relationships with TD Ameritrade, Charles Schwab and other unaffiliated broker-dealers

## Item 15 Custody

Generally the firm will directly debit clients' account(s) for the payment of our advisory fees. According to the SEC, this ability to deduct the advisory fee from clients' accounts causes Sadoff to exercise limited custody over your accounts. This is the only definition of custody that Sadoff meets. We do not have physical custody of any of your funds and/or securities. Clients' funds and securities are held by an independent third party such as: a bank, broker-dealer, or other qualified custodian. This firm will provide custodial services, (safekeeping, check issuance, dividend collection, pricing and reporting). Clients will receive account statements directly from the independent qualified custodian(s) holding your funds and securities at least quarterly and likely receive trade confirmations as well. Clients should promptly and carefully review account statements for accuracy. We also urge you to compare these statements to the periodic reports you receive from us.

## Item 16 Investment Discretion

Before we can buy or sell securities on your behalf, you must first sign a power of attorney form and an advisory agreement with us. You will grant our firm discretion over the selection, amount and timing of the 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 equities should not exceed a specified percentage of the value of the portfolio. In very limited circumstances, the firm may assume discretion to select the broker/dealer and determine the commission rate. The firm shall not be liable for restrictions placed by the client. Please refer to the "Advisory Business" section in this Brochure for more information on our discretionary management services.

## Item 17 Voting Client Securities (Proxy Voting)

It is the policy of Sadoff to receive all proxies. By purchasing securities of a corporation Sadoff signifies its confidence in the management of the corporation, so generally Sadoff votes its proxies with management. Generally we believe this will produce favorable financial results for our clients. When voting, Sadoff does generally not return proxy votes and allows its absenteeism voting to constitute a vote for management.

Conflicts of interest between a client and the firm regarding proxy issues could arise. If in the event Sadoff deems a conflict of interest exists between Sadoff and a client with regard to a proxy vote, Sadoff will disclose that conflict to that client and the firm will attempt to obtain the client's consent before voting the proxy. From time to time, Sadoff could also have a business relationship with individuals who are participants involved in proxy contests such as corporate directors, candidates, pension plans or a firm that provides services to the company. This too could cause a voting conflict of interest. In these situations we may abstain from voting. That said, not all clients proxies may be voted in the same manner.

Clients may receive and vote their own proxies by notifying us in writing that they will assume the voting responsibility or by completing the necessary paperwork with their custodian. Unless we receive specific instructions from the client we will not base votes on social considerations.

The firm keeps certain records required by applicable law in connection with the firm's proxy voting activities. You may obtain information on how the firm voted proxies and/or obtain a full copy of our proxy voting policies and procedures by making a request to the firm.



## Item 18 Our Financial Information

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

- Require the prepayment of more than \$1,200 in fees for 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 advisor; 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, the Firm has instituted policies and procedures to ensure that we keep your personal information private and secure.

The Firm does 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 share some information with our service providers, often electronically, such as software vendors, transfer agents, custodians and broker-dealers. These firms (such as the Firm's CRM, record-keepers and trading platform) will have this data stored on their servers (which may be cloud based) and backed-up offsite as well.

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

You will receive a copy of the Firm's privacy notice at the time you sign an advisory agreement with the firm. Thereafter, we will deliver a copy of the current privacy policy notice to you on an annual basis. Please contact Bryan Sadoff at (414) 352-8460 if you have any questions regarding this policy.

### **Trade Errors**

In the event a trading error occurs in your account, our policy is to restore your account to the position it should have been in had the trading error not occurred. Depending on the circumstances, corrective actions may include canceling the trade, adjusting an allocation, and/or reimbursing the account or credit future fees, with your permission. If a trade error results in a profit the firm may choose to keep the profit.

### **Class Action Lawsuits**

From time to time, securities held in your account(s) may be the subject of lawsuits. If your account is held at Charles Schwab & Co. Inc, or TD Ameritrade, Sadoff Investment Management (Firm) has engaged a third party service provider, Chicago Clearing Corporation (CCC), to monitor and file securities claims and handle class action litigation paperwork with claim administrators on behalf of the Firm's



clients. Client information, such as name, account title, account number, transaction history and holdings will be provided to CCC in connection with this service. If a client does not wish to participate in this service, they may let the Firm know, in writing, that they wish to opt-out, at any time, and CCC will not file claims on their behalf. If a client opts out of this service, the Firm does not have an obligation to advise or take any action on behalf of a client with regard to class action litigation involving investments held in or formerly held in a client's account. Sadoff Investment Management does not receive any fees or remuneration in connection with this service nor does it receive any fees from CCC. CCC earns a fee of 12.5% of the claims it collects on behalf of the firm's clients. This fee is collected and retained by CCC out of the claims paid by the claim administrator.

If the client chooses not have their account is not held at Schwab or Ameritrade, the Firm will not be responsible for determining if securities held in the client's account are subject to a pending or resolved lawsuit. The Firm will also not evaluate the client's eligibility, nor submit a claim to participate. Furthermore, the Firm has no obligation or responsibility to initiate litigation to recover damages on the client's behalf. Where the Firm has received notice of a lawsuit, settlement or verdict affecting securities owned by the client, the Firm will forward notices, proof of claim forms and other materials to the client.

The firm's Chief Compliance Officer is Bryan Sadoff. Any questions regarding the material in this Brochure should be directed to him.