



Form ADV Part 2A – Firm Brochure

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Dated March 5, 2020

This Brochure provides information about the qualifications and business practices of Shilanski & Associates, Inc. ("SAAI"). If you have any questions about the contents of this Brochure, please contact us at 907-278-1351. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

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

Additional information about SAAI is available on the SEC's website at www.adviserinfo.sec.gov which can be found using SAAI's identification number 116431.

Item 2: Material Changes

Since the last annual filing of this Form ADV Part 2A, dated March 21, 2019, the following material changes have occurred:

Effective March 2020, Jim Cullen is the Chief Compliance Officer of Shilanski & Associates, Inc.

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Item 4: Advisory Business

Description of Advisory Firm

Shilanski & Associates, Inc. ("SAAI" or the "Firm") was formed in 1981 and its registration as an Investment Adviser was granted by the State of Alaska on January 18, 1990. Floyd Lee Shilanski owns forty-nine (49%) percent of the equity of SAAI and is the President. Rosa Carlene Shilanski is also a forty-nine (49%) percent shareholder of the equity of SAAI and is its Vice President. SAAI is not publicly owned or traded. There are no indirect owners of SAAI.

Types of Advisory Services

Investment Management Services

We are in the business of managing individually tailored investment portfolios. Our firm provides continuous advice to clients regarding the investment of client funds based on the individual needs of the client. Through personal discussions in which goals and objectives based on a client's particular circumstances are established, we develop a client's personal investment goals or Personal Financial Plan with an asset allocation target and create and manage a portfolio based on that policy and allocation target. During our data-gathering process, we determine the client's individual objectives, time horizons, risk tolerance, and liquidity needs. We may also review and discuss a client's prior investment history, as well as family composition and background.

Account supervision is guided by the stated objectives of the client (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. Fees pertaining to this service are outlined in Item 5 of this brochure.

Business Planning

SAAI provides business planning services to a select group of its clients who are also small businesses. Our Business Planning services focus on cost-effective implementation of employee benefits and group retirement plans. We partner with third-party providers to identify, implement, and monitor a customized solution to meet the exact needs of businesses and their employees.

Financial Planning

SAAI provides financial planning, supplying both analyses and general recommendations in

various aspects of business planning and cash flow planning. Recommendations may address both insurance and investments. SAAI has several associated persons performing these tasks. These associates are Independent Contractors and are required to maintain their own clients.

The financial planning process begins with an in-depth interview to determine the client's financial situation and personal goals and objectives. A comprehensive questionnaire and relevant documents are used in the identification of the client's goals, objectives and investment attitudes. These relevant documents are provided by the client and address the five areas of financial planning identified by SAAI: estate planning, risk management, retirement income, investments and tax planning. SAAI staff carefully reviews the information given and prepares a preliminary discovery to be reviewed with the client during a client meeting. Once the clients have confirmed the data in this report, a financial report is produced. Observations for action on taxes, investments, cash flow, retirement estate planning and insurance are explained, and their impact illustrated. All information is kept strictly confidential.

Following the issuance of a report to a client, associated persons of SAAI may recommend the purchase or sale of particular securities, or the purchase or termination of certain insurance policies. Recommendations not specifically contained in the report are not authorized by or attributed to SAAI and are not part of its financial planning services.

Implementation of the financial plan is entirely at the client's discretion and may require that the client work closely with his or her attorney, accountant, tax professional and/or insurance agent. SAAI assumes no responsibility for implementation, but does provide at no additional charge, at the client's request, clarification required to these parties involved in implementation for a period of thirty calendar days from delivery of the report.

In assessing a client's financial situation, SAAI will comment on stocks, bonds, exchange-traded funds ("ETFs"), rare coins, mutual funds (no load, low load & load) and upon any other security structured as a partnership interest. In making its recommendations, SAAI considers partnership interests in real estate, equipment leasing, motion pictures and other audio-visual entertainment forms, agriculture franchising and investment companies (Mutual Funds) and similar fields, where such investments appear appropriate to the client's objectives, circumstances and risk tolerances.

Educational Seminars

SAAI also offers seminars on various aspects of Personal Financial Planning Strategies, which cover total financial planning in a general and generic format. These seminars are often given under the name of "Educational Seminars of Alaska" or "Plan Your Federal Retirement."

SAAI currently conducts the following seminars: Retirement, Long Term Care, Roth IRA, Wealth Advantage, Equity, Family Wealth, Wealth Planning, Federal Employee Benefits and others.

Client Tailored Services and Client Imposed Restrictions

We offer the same suite of services to all of our clients. However, specific client financial plans and their implementation are dependent upon the client's Personal Financial Plan which outlines the model portfolio recommended and the time horizon as well as any requests made by the client. These are used to construct a client specific plan to aid in the selection of a portfolio that matches restrictions, needs, and targets.

Wrap Fee Programs

We sponsor a wrap fee program, which is an investment program where the investor pays one stated fee that includes investment management services and transaction costs. We manage the investments in the wrap fee program. We do not manage non-wrap fee accounts. A portion of the fees paid to the wrap account program will be given to SAAI as a management fee. Effective October 7, 2019, Schwab has eliminated commissions for online trades of U.S. equities, ETFs and options (subject to \$0.65 per contract fee). We encourage clients to review Schwab's pricing to compare the total costs of entering into a wrap fee arrangement versus a non-wrap arrangement. Clients will still incur commissions and fees for certain types of transactions in a non-wrap fee arrangement. To see what they would pay for transactions in a non-wrap account they will need to refer to Schwab's most recent pricing schedules available at www.schwab.com/aspricingguide.

Assets Under Management

As of December 31, 2019, we managed \$210,406,334 in assets on a discretionary basis and \$0 in assets on a non-discretionary basis.

Item 5: Fees and Compensation

Please note, the investment advisory contract may be terminated by the client within five (5) business days of signing the contract without incurring any advisory fees. How we are paid depends on the type of advisory service we are performing. Please review the fee and compensation information below.

Investment Management Services

Our standard advisory fee is 0.5% and 2.0% of the market value of their assets under management. This fee is negotiable and is paid in advance on a quarterly basis.

Clients may also opt to pay a fee fixed flat fee of 0.25% of a client's assets under management plus a dollar flat fee. The annual fee is negotiable and is prorated and paid in advance on a quarterly basis. Every other year, a cost of living adjustment, not to exceed 5.0% will be made

to the annual fee. Clients will be provided a thirty days' (30) notice of the cost of living adjustment before they go into effect.

Each client will provide the qualified custodian with an executed authorization form allowing SAAI to debit its advisory fees directly from the client's account. SAAI will provide the custodian an invoice of its fees and direct it to pay its fees. Accounts initiated or terminated during a calendar quarter will be charged a prorated fee based on the amount of time remaining in the billing period. An account may be terminated with written notice at least thirty (30) calendar days in advance. Upon termination of the account, any unearned fee will be refunded to the client.

Outside Manager Fees

We currently utilize Envestnet Asset Management, Inc. ("Envestnet") as an outside manager. SAAI charges its clients between 1.5% and 2.0% and, out of these fees, SAAI then pays Envestnet 0% to 1% of the fee depending on the product.

Financial Planning Fee

The description of each type of plan set forth below includes the estimated range of fees typically charged for each plan. The base fee for each plan is established at the time of signing the Financial Advisory Agreement and the amount of the fee is specified in the agreement as well. The plan and fee structure is as follows:

Personal Financial Plan: The fee range for the Personal Financial Plan is \$2,000.00 to \$50,000.00. Of which, 40% of the fee is payable upon signing the financial advisory agreement, or as otherwise agreed in writing between the client and Shilanski & Associates, Inc. The complexity and time to complete effect the price for a Personal Financial Plan.

Custom services: Fees for custom services are negotiated with the client and are based on an hourly fee ranging from \$300.00 to \$1,000.00, for financial planning. This would also involve servicing of retirement plans – i.e., 401K, Simple and etc. Additional charges will be billed for copying, faxing, and other administration costs incurred.

When the complexity of the client's situation or the data collection process requires time or cash expenditures in excess of those assumed in the pricing schedule, additional charges are made, the excess time being charged at the rate of \$250.00 per hour. In no event will such additional charges, including expenses exceed 30% of the basic fee without the Client's written consent.

A minimum deposit of 40% of the fee, or the agreed to price, is due at the time the Financial

Advisory Agreement is signed, with the balance due over the next year as agreed to by the client. However, SAAI will not bill more than \$1,200 more than 6 months in advance of delivering the financial plan.

Unless, additional services are purchased, SAAI's Financial Advisory Agreement terminates upon delivery of the report(s). If clients wish to continue to have their plan(s) monitored, the client can continue to do this under the same advisory agreement. The minimum fee for the plan to be monitored is \$1,000.00 and the normal range does not exceed \$10,000.00 billed quarterly. All fees above are negotiable and dependent on the complexity of an individual's plan.

You may wish to have an annual update of your financial review and a more frequent periodic review because of changes in the tax laws or in your personal financial situation. These are available as a separate service of our firm. We feel that continued monitoring is essential to accomplishing all of your objectives. Our practice for this continued service is to charge 80% of the initial planning fee, payable quarterly in advance, commencing the first quarter of the next calendar year. In future years, this amount may be adjusted to meet changing circumstances.

The advisory client may terminate the Financial Advisory Agreement at any time and receive a refund of all unearned fees. This termination must be in writing to SAAI and SAAI may terminate the Agreement without penalty at any time by giving the Advisory Client written notice and refunding in full all unearned fees paid under the Agreement.

Business Planning Fee

Those clients who elect to utilize our customized Business Planning services will be charged 1.0% to 5.0% of their net gross revenue or earnings before interest, taxes, depreciation and amortization (also known as EBITDA), whichever is greater.

Educational Seminars Fee

Some of the above described seminars may be provided for a fee. The sponsor will set these fees. The fees have ranged from as low as \$25.00 per couple and as high as \$497.00 per couple.

Online Program Fee

An online program fee may be charged ranging from \$9.97 per month to as high as \$500.00 per year for access to a members-only section of our website. The price you pay is determined by the membership level purchased.

E-book Fee

An electronic book ("e-book") fee might be charged for the purchase of a digital book at a price

at around \$7.97 to \$9.99. Such e-books are, unless otherwise stated by the publisher, produced and self-published by the author or the firm.

Other Types of Fees and Expenses

Clients may incur certain charges imposed by custodians, brokers, and other third parties such as custodial fees and wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual fund and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to our fee, and we shall not receive any portion of these commissions, fees, and costs.

Item 12 further describes the factors that we consider in selecting or recommending broker-dealers for client's transactions and determining the reasonableness of their compensation (e.g., commissions).

We do not accept compensation for the sale of securities or other investment products including asset-based sales charges or service fees from the sale of mutual funds.

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

We do not receive performance-based fees.

Item 7: Types of Clients

We provide financial planning and portfolio management services to individuals, pension and profit-sharing plans, trusts, estates, charitable organizations, corporations and other business entities. We do not have a minimum account size requirement.

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

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

Fundamental analysis involves analyzing individual companies and their industry groups, such

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

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

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

Cyclical analysis is a type of technical analysis that involves evaluating recurring price patterns and trends based upon business cycles. Economic/business cycles may not be predictable and may have many fluctuations between long term expansions and contractions. The lengths of economic cycles may be difficult to predict with accuracy and therefore the risk of cyclical analysis is the difficulty in predicting economic trends and consequently the changing value of securities that would be affected by these changing trends.

SAAI also employs four (4) model portfolios that are rebalanced on a quarterly basis and generally provide options for clients by providing equity, fixed income products, balance across sectors, and high-quality companies with strong cash flows, reasonable valuations, and a solid history of operation.

Third Party Investment Advisers

We employ third-party investment advisers ("outside managers") to manage all or a portion of Client's assets. Our analysis of outside managers involves the examination of the experience, expertise, investment philosophies, and past performance of the outside 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 an outside manager who has been successful in the past is that he/she may not be able to replicate that success in the future. Clients will receive a copy of the outside manager's Form ADV and has the right to decline use of the proposed outside manager. SAAI will be responsible for the initial and ongoing suitability determination of the portfolios managed by outside managers.

Currently, we utilize Envestnet Asset Management, Inc. as an outside manager. SAAI will remain responsible for the initial and ongoing suitability of Envestnet's discretionary investment advice to SAAI clients.

Material Risks Involved

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

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

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

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

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

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

Interest Rate Risk: Bond (fixed income) prices generally fall when interest rates rise, and the value may fall below par value or the principal investment. The opposite is also generally true: bond prices generally rise when interest rates fall. In general, fixed income securities with longer maturities are more sensitive to these price changes. Most other investments are also sensitive to the level and direction of interest rates.

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

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

Risks Associated with Securities

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

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

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

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

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

Municipal Bonds are debt obligations generally issued to obtain funds for various public purposes, including the construction of public facilities. Municipal bonds pay a lower rate of return than most other types of bonds. However, because of a municipal bond's tax-

avored status, investors should compare the relative after-tax return to the after-tax return of other bonds, depending on the investor's tax bracket. Investing in municipal bonds carries the same general risks as investing in bonds in general. Those risks include interest rate risk, reinvestment risk, inflation risk, market risk, call or redemption risk, credit risk, and liquidity and valuation risk.

Options and other derivatives carry many unique risks, including time-sensitivity, and can result in the complete loss of principal. While covered call writing does provide a partial hedge to the stock against which the call is written, the hedge is limited to the amount of cash flow received when writing the option. When selling covered calls, there is a risk the underlying position may be called away at a price lower than the current market price.

Exchange Traded Funds prices may vary significantly from the Net Asset Value due to market conditions. Certain Exchange Traded Funds may not track underlying benchmarks as expected.

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

Item 9: Disciplinary Information

We have nothing to report.

Item 10: Other Financial Industry Activities and Affiliations

Jamie Shilanski, Investment Advisor Representative of SAAI is also a Registered Representative

of Cetera Advisor Networks LLC “Cetera”. She may recommend securities, or insurance products offered through Cetera, and other insurance companies. Compensation received through her acting as Registered Representative of Cetera does not offset any advisory fees collected under SAAI.

SAAI’s principals, Floyd L. Shilanski, Jamie Shilanski and Micah Shilanski devote time to speaking, writing books and educating the industry in practice management procedures. Books written by Micah and Floyd Shilanski have been self-produced and self-published, though only Micah Shilanski’s book is currently available for purchase.

Shilanski Family 2001 Limited Liability Company was created for personal estate and business planning for Floyd, Rosa, Micah and Jamie Shilanski. Floyd Shilanski is also part-owner of an airplane hangar located at Big Lake, Alaska. This hangar is co-owned with a SAAI client and is subleased to pilots for airplane storage.

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

From time to time, other investment advisory firms will pay us for operations support. This includes back office support, website building, data recording and billing. For an additional fee, investment advisory firms may utilize our asset allocation models. Currently, we charge these firms 1% for operations support and access to our asset allocation models.

While we provide operational support and access to our models, we do ensure that we do not over-burden our operations team so that at all times we are able to provide excellent service and process all client trades.

Recommendations or Selections of Other Investment Advisers

SAAI refers clients to Outside Managers to manage their accounts. Often, SAAI will share in the Outside Manager’s asset management fee. This situation creates a conflict of interest. However, when referring clients to an Outside Manager, the client’s best interest and suitability of the Outside Manager will be the main determining factors of SAAI. SAAI will also continue to monitor the performance of the Outside Managers to ensure alliance with the client’s stated investment objectives, risk tolerance and time horizon. This relationship is disclosed to the client at the

commencement of the advisory relationship. These compensation arrangements present a conflict of interest because SAAI has a financial incentive to recommend the services of the Outside Manager. You are not obligated, contractually or otherwise, to use the services of any Outside Manager we recommend. Additionally, SAAI will only recommend an Outside Manager who is properly licensed or registered as an investment adviser.

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

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

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

- Integrity - Associated persons shall offer and provide professional services with integrity.
- Objectivity - Associated persons shall be objective in providing professional services to clients.
- Competence - Associated persons shall provide services to clients competently and maintain the necessary knowledge and skill to continue to do so in those areas in which they are engaged.
- Fairness - Associated persons shall perform professional services in a manner that is fair and reasonable to clients, principals, partners, and employers, and shall disclose conflicts of interest in providing such services.
- Confidentiality - Associated persons shall not disclose confidential client information without the specific consent of the client unless in response to proper legal process, or as required by law.
- Professionalism - Associated persons' conduct in all matter shall reflect credit of the profession.

- Diligence - Associated persons shall act diligently in providing professional services. We will, upon request, promptly provide a complete code of ethics.

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

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

Item 12: Brokerage Practices

Factors Used to Select Custodians and/or Broker-Dealers

Specific custodian recommendations are made to client based on their need for such services. We recommend custodians based on the reputation and services provided by the firm.

SAAI may recommend that clients establish brokerage accounts with the Schwab Advisor Services division of Charles Schwab & Co., Inc. (“Schwab”), a registered broker-dealer, member SIPC, to maintain custody of clients’ assets and to effect trades for their accounts. SAAI is independently owned and operated and not affiliated with Schwab. Schwab provides SAAI with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a total of at least \$10,000,000 million of the advisor’s clients’ assets are maintained in accounts at Schwab Advisor Services. Schwab’s services include brokerage services that are related to the execution of securities transactions, custody, research, including that in the form of advice, analyses and reports, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

In addition, SAAI may recommend that clients establish brokerage accounts with Cetera, a registered broker-dealer, member SIPC, to maintain custody of clients’ assets and to effect trades for their accounts.

The final decision to custody assets with Schwab or Cetera is at the discretion of the Client, including those accounts under ERISA or IRA rules and regulations, in which case the client is acting as either the plan sponsor or IRA account holder.

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

Schwab also makes available to SAAI other products and services that benefit SAAI but may not benefit its clients' accounts. These benefits may include national, regional or SAAI specific educational events organized and/or sponsored by Schwab Advisor Services. Other potential benefits may include occasional business entertainment of personnel of SAAI by Schwab Advisor Services personnel, including meals, invitations to sporting events, including golf tournaments, and other forms of entertainment, some of which may accompany educational opportunities. Other of these products and services assist SAAI in managing and administering clients' accounts. These include software and other technology (and related technological training) that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), provide research, pricing information and other market data, facilitate payment of SAAI's fees from its clients' accounts, and assist with back-office training and support functions, recordkeeping and client reporting. Many of these services generally may be used to service all or some substantial number of SAAI's accounts, including accounts not maintained at Schwab Advisor Services.

Schwab Advisor Services also makes available to SAAI other services intended to help SAAI manage and further develop its business enterprise. These services may include professional compliance, legal and business consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance, employee benefits providers, human capital consultants, insurance and marketing. In addition, Schwab may make available, arrange and/or pay vendors for these types of services rendered to SAAI by independent third parties. Schwab Advisor Services 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 SAAI. While, as a fiduciary, SAAI endeavors to act in its clients' best interests, and their recommendation that clients maintain their assets in accounts at Schwab may be based in part on the benefit to SAAI of the availability of some of the foregoing products and services and other arrangements and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

Research and Other Soft-Dollar Benefits

While we do receive benefits from broker/dealers as stated above, we currently do not receive soft dollar benefits which are contingent on trade execution or commissions generated for the broker/dealers.

Brokerage for Client Referrals

We receive no referrals from a broker-dealer or third party in exchange for using that broker-dealer or third party.

Clients Directing Which Broker/Dealer/Custodian to Use

We do recommend a specific custodian for clients to use, however, clients may custody their assets at a custodian of their choice. Clients may also direct us to use a specific broker-dealer to execute transactions. By allowing clients to choose a specific custodian, we may be unable to achieve most favorable execution of client transaction and this may cost clients money over using a lower-cost custodian.

Aggregating (Block) Trading for Multiple Client Accounts

Generally, we combine multiple orders for shares of the same securities purchased for advisory accounts we manage (this practice is commonly referred to as “block trading”). We will then distribute a portion of the shares to participating accounts in a fair and equitable manner. The distribution of the shares purchased is typically proportionate to the size of the account, but it is not based on account performance or the amount or structure of management fees. Subject to our discretion, regarding particular circumstances and market conditions, when we combine orders, each participating account pays an average price per share for all transactions and pays a proportionate share of all transaction costs. Accounts owned by our firm or persons associated with our firm may participate in block trading with your accounts; however, they will not be given preferential treatment.

Item 13: Review of Accounts

Client accounts with the Investment Management Service will be reviewed on at least a quarterly basis by their respected advisor. Intermittent reviews may be triggered by substantial market fluctuation, economic or political events, or changes in the client’s financial status (such as

retirement, termination of employment, relocation, inheritance, etc.). Clients are advised to notify SAAI promptly if there are any material changes in their financial situation, investment objectives, or in the event they wish to place restrictions on their account.

Clients will receive trade confirmations from the custodian for each transaction in their accounts as well as monthly or quarterly statements and annual tax reporting statements from their custodian showing all activity in the accounts, such as receipt of dividends and interest.

SAAI may provide written reports to clients on an as-needed basis.

Item 14: Client Referrals and Other Compensation

We do not receive any economic benefit, directly or indirectly from any third party for advice rendered to our clients. Nor do we directly or indirectly compensate any person who is not advisory personnel for client referrals. However, we do receive cash contributions from various vendors to support special client events. Funds received in support of special client events are used to defray expenses. SAAI may also receive marketing support from various vendors, such as fund companies, insurance companies and/or other professionals to help pay for certain expenses for seminars and/or other professional activities.

Item 15: Custody

SAAI does not accept custody of client funds. Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. SAAI does have discretion in the accounts it manages. In such accounts, SAAI's fees are automatically deducted from the client's account after SAAI has provided the qualified custodian with an invoice of the fees charged. We urge you to carefully review such statements and compare such official custodial records to the account statements or reports that we may provide to you. Our statements or reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Standing Letters of Authorization: SAAI does maintain a standing letter of authorization (SLOA) where the funds or securities are being sent to a third party, and the following conditions are met:

- a. The client provides an instruction to the qualified custodian, in writing, that includes the client's signature, the third party's name, and either the third party's address or the third party's account number at a custodian to which the transfer

should be directed.

- b. The client authorizes SAAI, in writing, either on the qualified custodian's form or separately, to direct transfers to the third party either on a specified schedule or from time to time.
- c. The client's qualified custodian performs appropriate verification of the instruction, such as a signature review or other method to verify the client's authorization and provides a transfer of funds notice to the client promptly after each transfer.
- d. The client has the ability to terminate or change the instruction to the client's qualified custodian.
- e. SAAI has no authority or ability to designate or change the identity of the third party, the address, or any other information about the third party contained in the client's instruction.
- f. The client's qualified custodian sends the client, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.
- g. SAAI maintains records showing that the third party is not a related party of SAAI or located at the same address as SAAI.

Item 16: Investment Discretion

For those client accounts where we provide investment management services, we maintain discretion over client accounts with respect to securities to be bought and sold and the amount of securities to be bought and sold. Investment discretion is explained to clients in detail when an advisory relationship has commenced. At the start of the advisory relationship, the client will execute a Limited Power of Attorney which will grant our firm discretion over the account. Additionally, the discretionary relationship will be outlined in the advisory contract and signed by the client.

Item 17: Voting Client Securities

We do not vote Client proxies. Therefore, Clients maintain exclusive responsibility for: (1) voting proxies, and (2) acting on corporate actions pertaining to the Client's investment assets. The Client shall instruct the Client's qualified custodian to forward to the Client copies of all proxies

and shareholder communications relating to the Client's investment assets. If the client would like our opinion on a particular proxy vote, they may contact us at the number listed on the cover of this brochure.

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

Item 18: Financial Information

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

We do not have custody of client funds or securities or require or solicit prepayment of more than \$1,200 in fees per client six months or more in advance.

Business Continuity Plan

Shilanski & Associates, Inc. (SAAI) presents herein our Business Continuity Plan. This provides the general guidelines for how we will respond to unexpected events that significantly disrupt our business. While keeping in mind that by definition such occurrences are not events we can plan for, and which will require flexibility and agility on our part as a service business, we are pleased to provide you with the following information.

Contacting our firm: During a significant business disruption you should be able to contact us as you usually do during working hours at (907) 278-1351; our plan is to use technology to forward the phones to minimize any impact you would feel directly. However, if you cannot access us via phone, you should contact Charles Schwab at 800-435-4000. In case of a disaster, they will assist you in providing prompt access to your funds and securities; enter orders and process trades, cash and security transfer transactions.

Our business continuity plan (general): We hope to quickly recover and resume business operations after a significant business disruption. As soon as possible we will work to safeguard our employees and property, make financial and operational assessments, protect the firm's books and records, and allow our clients to transact business. In short, our business continuity plan is designed to permit our firm to resume operations as quickly as possible, depending on the scope and severity of the event.

Our business continuity plan (details): the plan includes data backup and recovery of all mission critical systems; financial and operational assessments; establishing alternative communication systems with our clients and employees, establishing alternate physical location of employees; and ensuring a prompt response to all our clients' needs as soon as possible.

Our custodian: The custodian, Charles Schwab, in which your funds are held back up important records in a geographically separate site. While every emergency situation poses unique problems based on external factors, such as time of day and the severity of the disruption, we have been advised by Charles Schwab that their objective is to restore their own operations and complete existing transactions and accept new transactions within 3 to 4 hours. Your orders and requests for funds and securities could be delayed during this period.

Variances in the scope and size of disruption: Significant business disruptions can vary in their scope and severity. For example, we could have a disruption affecting only our firm, affecting the building housing our firm, affecting the business district where our firm is located, the city where we are located, or the whole region. Within each of these areas, the severity of the disruption can also vary from minimal to severe. In a disruption to only our firm or a building housing our firm, we will transfer our operations to a local site if needed and expect to recover and resume business within one day. In a disruption affecting our business district, city or region, we will transfer our operations to a site outside the affected area and recover and resume business within one day. In either situation, we plan to continue our business, transfer operations to our broker dealer if necessary, and notify you through our website,

www.shilanski.com. If the significant business disruption is so severe that it prevents us from remaining in business, we want to assure our clients that they would still have access to their funds and securities by contacting Charles Schwab.

Loss of key personnel: Shilanski & Associates, Inc. utilizes a “team approach” to working with clients, so generally a client will have a relationship with more than just one Shilanski & Associates, Inc. employee. This has been purposely done in order to provide redundancies if a key employee is not available, and we consider this to be a best practice.

Privacy Notice

Shilanski & Associates, Inc., is committed to safeguarding the confidential information of its clients. This includes all personal data that we collect from you in connection with any of the services provided by Shilanski & Associates, Inc.

We collect personal information about you for business purposes, such as evaluating your financial needs, processing your requests and transactions, informing you about products and services that may be of interest to you, and providing routine customer service. We collect non-public information about you from the following sources:

- Information we receive from you on applications and other forms (including but not limited to your name, date of birth, address, telephone number, email address, social security number, employment information, assets, income, investment experience, and health information);
- Information about your transactions with us; and
- Information we receive from consumer reporting agencies and other entities not affiliated with Shilanski & Associates, Inc.

We limit access to non-public, personal information to those employees, your representatives, and agents who have a need to know in order to conduct business, service your account, keep you informed, and help you accomplish your financial objectives, such as providing you with a broad range of services and products. Our employees, representatives, and agents are required to maintain and protect the confidentiality of your personal information and must follow established privacy procedures. In addition, we will maintain physical, electronic, and procedural safeguards that meet federal and/or state standards to guard your non-public, personal information.

In the regular course of our business, we may disclose some or all of the non-public, personal information described above with our affiliates and non-affiliated third parties as necessary to effect, administer, or enforce transactions that you request or authorize, or in connection with processing or servicing a financial product or service that you request or authorize.

The non-affiliated third parties with which we may share non-public client information include financial service providers, such as clearing firms, mutual fund companies, mortgage brokers, investment money managers, broker-dealers, and insurance companies with whom we do business with, and in many cases, with whom the client has conducted business with as well. Their involvement is essential to the provision of overall service provided by Shilanski &

Associates, Inc. to its clients. The information shared with these non-affiliated companies is not sold or rented to them, nor is it shared with them for marketing or solicitation purposes.

We will share non-public information with non-affiliated companies only when they agree to uphold and maintain our privacy standards when handling a customer's personal information.

In addition, we may disclose non-public information with non-affiliated companies and regulatory authorities as permitted or required by applicable law. For example, we may disclose personal information to cooperate with regulatory authorities and law enforcement agencies, or with attorneys, accountants, or auditors as necessary to protect our rights and property. Except as described in this privacy policy, we will not use your personal information for any other purpose unless we describe how such information will be used at the time you disclose it to us, or we obtain your permission to do so.

Personally, identifiable information about you will be maintained during the time you are a client, and for the required time thereafter that such records are required to be maintained by federal and state securities and insurance laws. After this required period of record retention, all such information will be archived or destroyed. In all other respects, the information about former clients is treated in the same manner as information about current clients.

To provide the utmost in service, we may disclose information regarding customers and/or former customers, as necessary, to companies in order for them to perform certain services on our behalf or to other financial institutions with whom we have joint marketing agreements, or as required by law.

The Firm will internally safeguard your non-public personal information by restricting access to only those employees who provide products or services to you or those who need access to your information to service your account. In addition, we will maintain physical, electronic, and procedural safeguards that meet federal and/or state standards to guard your non-public, personal information.

We strive to keep our customer records complete and accurate. We will give you reasonable access to information we have about you. Most of this information is contained in account statements that you receive and applications you submit to obtain our products and services. We encourage you to review this information and notify us if you believe any information should be corrected or updated.

If you have any question or concern about your personal information or this privacy notice, please contact us at (907) 278-1351.