

**SAWYER FALDUTO**  
ASSET MANAGEMENT, LLC

**Item 1      Cover Page**

**Sawyer Falduto Asset Management, LLC**

SEC File Number: 801 – 68317

**Form ADV Part 2A, Firm Brochure**

**Dated: March 29, 2022**

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**This Brochure provides information about the qualifications and business practices of Sawyer Falduto Asset Management, LLC (the "Registrant"). If you have any questions about the contents of this Brochure, please contact us at (630) 941-8560 or [tsawyer@sawyerfalduto.com](mailto:tsawyer@sawyerfalduto.com). The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Additional information about Sawyer Falduto Asset Management, LLC also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**References herein to Sawyer Falduto Asset Management, LLC as a "registered investment adviser" or any reference to being "registered" does not imply a certain level of skill or training.**

## **Item 2           Material Changes**

There have been no material changes made to this Form ADV Part 2A, Firm Brochure since the March 29, 2021 annual update filing.

Although not material, the Registrant has made disclosure changes, enhancements and additions at Items 4, 5, 6, 12, 14 and 16.

**Sawyer Falduto Asset Management, LLC's Chief Compliance Officer, Thomas Sawyer, remains available to address any questions that a client or prospective client may have about this Brochure.**

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#### **Item 4          Advisory Business**

- A.** Sawyer Falduto Asset Management, LLC (the "Registrant") is a limited liability company formed on August 15, 2007 in the State of Illinois. The Registrant registered as an investment adviser on September 13, 2007. The Registrant is principally owned by Thomas Sawyer and John Falduto, who are the Registrant's Members / Managers.
- B.** As discussed below, the Registrant offers to its clients (individuals, high net worth individuals, pension and profit sharing plans, charitable organizations, state or municipal government entities, trade groups, etc.) investment management services. The Registrant does not hold itself out as providing financial planning, estate planning, or insurance planning services.

#### **INVESTMENT MANAGEMENT SERVICES - SAWYER FALDUTO WRAP PROGRAM**

The Registrant provides investment management services on a wrap fee basis in accordance with the Registrant's wrap fee program (the "Program"). The services offered under, and the corresponding terms and conditions pertaining to, the Program are discussed in the Wrap Fee Program Brochure. Under the Program, the Registrant offers discretionary investment management services, for a single specified annual Program fee, inclusive of trade execution (excluding mark-ups and mark-downs), custody, reporting, and investment management fees. The services included in a wrap fee agreement will depend upon each client's particular need. All prospective Program participants should read both the Registrant's Brochure and the Wrap Fee Program Brochure, and ask any corresponding questions that they may have, prior to participation in the Program.

Before Registrant provides investment management services, an investment adviser representative will work with each client to determine their investment objectives. Thereafter, the Registrant will allocate investment assets consistent with the designated investment objectives. Once allocated, Registrant provides ongoing monitoring and review of account performance and asset allocation as compared to a client's investment objectives and may rebalance the account based on these reviews.

**Wrap Program-Conflict of Interest.** Registrant provides services on a wrap fee basis as a wrap program sponsor. Under Registrant's wrap program, the client generally receives investment advisory services, the execution of securities brokerage transactions, custody and reporting services for a single specified fee. The Registrant receives the balance of the wrap fee after all other costs incorporated into the wrap fee have been applied or deducted. Participation in a wrap program may cost the client more or less than purchasing such services separately. The terms and conditions of a wrap program engagement are more fully discussed in Registrant's Wrap Fee Program Brochure. Because the Registrant is responsible for payment of certain wrap program transaction fees and commissions to the account broker-dealer/custodian, the Registrant has an economic incentive to minimize the number of trades in the client's account. The Registrant maintains internal processes designed to review trading activity within client's accounts in an effort to mitigate this conflict of interest. Registrant's Chief Compliance Officer, Thomas Sawyer, remains available to address any questions that a client or

prospective client may have regarding a wrap fee arrangement and the corresponding conflict of interest a wrap fee arrangement creates.

Charles Schwab & Co., an SEC-registered and FINRA/SIPC member broker-dealer/custodian ("Schwab") serves as the custodian for Program accounts. Clients who happen to maintain accounts at custodian other than Schwab remain responsible for the payment of their own custodial and transaction fees.

## **MISCELLANEOUS**

**Limitations of Financial Planning and Non-Investment Consulting/Implementation Services.** Although the Registrant does not hold itself out as providing financial planning, estate planning or accounting services, to the extent specifically requested by the client, Registrant may provide financial planning and related consulting services regarding non-investment related matters, such as estate, tax, or insurance planning. Registrant will generally provide such consulting services inclusive of its advisory fee set forth at Item 5 below (exceptions could occur based upon assets under management, extraordinary matters, special projects, stand-alone planning engagements, etc. for which Firm may charge a separate or additional fee). **Please Note.** Registrant believes that it is important for the client to address financial planning issues on an ongoing basis. Registrant's advisory fee, as set forth at Item 5 below, will remain the same regardless of whether or not the client determines to address financial planning issues with Registrant. The Registrant does not serve as a law firm, accounting firm, or insurance agency, and no portion of Registrant's services should be construed as legal, accounting, or insurance implementation services. Accordingly, Registrant does not prepare estate planning documents, tax returns or sell insurance products. To the extent requested by a client, Registrant may recommend the services of other professionals for certain non-investment implementation purposes (i.e. attorneys, accountants, insurance agents, etc.). Clients are reminded that they are under no obligation to engage the services of any such recommended professional. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation made by Registrant or its representatives. If the client engages any unaffiliated recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional.

**Client Obligations.** Registrant shall not be required to verify any information received from the client or from the client's other professionals and is expressly authorized to rely thereon. Moreover, each client is responsible for promptly notifying the Registrant if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating, or revising Registrant's previous recommendations or services.

**Investment Risk.** Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by Registrant) will be profitable or equal any specific performance level(s).

**Retirement Plan Rollover.** A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted,

(iii) roll over to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). If the Registrant recommends that a client roll over their retirement plan assets into an account to be managed by the Registrant, such a recommendation creates a conflict of interest if the Registrant will earn new or increased compensation on the rolled over assets. Whether Registrant provides a recommendation as to whether a client should engage in a rollover or not, Registrant is acting as a fiduciary within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. No client is under any obligation to roll over plan assets to an IRA managed by the Registrant or to engage the Registrant to monitor and/or manage the account while maintained at the client's employer. The Registrant's Chief Compliance Officer, Thomas Sawyer, remains available to address any questions that a client or prospective client may have regarding the potential for conflict of interest presented by such rollover recommendation.

#### **ERISA PLAN and 401(k) INDIVIDUAL ENGAGEMENTS:**

- **Trustee Directed Plans.** Registrant may be engaged to provide discretionary investment advisory services to ERISA retirement plans, whereby the Firm shall manage Plan assets consistent with the investment objective designated by the Plan trustees. In such engagements, Registrant will serve as an investment fiduciary as that term is defined under The Employee Retirement Income Security Act of 1974 ("ERISA"). Registrant will generally provide services on an "assets under management" fee basis per the terms and conditions of an *Investment Advisory Agreement* between the Plan and the Firm.

**Participant Directed Retirement Plans.** Registrant may also provide investment advisory and consulting services to participant directed retirement plans per the terms and conditions of a *Retirement Plan Services Agreement* between Registrant and the plan. For such engagements, Registrant shall assist the Plan sponsor with the selection of an investment platform from which Plan participants shall make their respective investment choices (which may include investment strategies devised and managed by Registrant), and, to the extent engaged to do so, may also provide corresponding education to assist the participants with their decision making process.

**Use of Mutual and Exchange Traded Funds:** Registrant utilizes mutual funds and exchange traded funds for its client portfolios. In addition to Registrant's investment advisory fee described below, and transaction and/or custodial fees discussed below, clients will also incur, relative to all mutual fund and exchange traded fund purchases, charges imposed at the fund level (e.g. management fees and other fund expenses).

**Borrowing Against Assets/Risks.** A client who has a need to borrow money could determine to do so by using:

- **Pledged Assets Loan-** In consideration for Schwab (i.e., a bank, etc.) to make a loan to the client, the client pledges its investment assets held at the account custodian as collateral;

These above-described collateralized loans are generally utilized because they typically provide more favorable interest rates than standard commercial loans. These types of collateralized loans can assist with a pending home purchase, permit the retirement of more expensive debt, or enable borrowing in lieu of liquidating existing account positions and incurring capital gains taxes. However, such loans are not without potential material risk to the client's investment assets. The lender (i.e. custodian, bank, etc.) will have recourse against the client's investment assets in the event of loan default or if the assets fall below a certain level. For this reason, Registrant does not recommend such borrowing unless it is for specific short-term purposes (i.e. a bridge loan to purchase a new residence). Registrant does not recommend such borrowing for investment purposes (i.e. to invest borrowed funds in the market). Regardless, if the client was to determine to utilize a pledged assets loan, the following economic benefits would inure to Registrant:

- by taking the loan rather than liquidating assets in the client's account, Registrant continues to earn a fee on such Account assets; and,
- if the client invests any portion of the loan proceeds in an account to be managed by Registrant, Registrant will receive an advisory fee on the invested amount; and,
- if Registrant's advisory fee is based upon the higher margined account value (*see* margin disclosure at Item 5 below), Registrant will earn a correspondingly higher advisory fee. This could provide Registrant with a disincentive to encourage the client to discontinue the use of margin.

**Please Note:** The Client must accept the above risks and potential corresponding consequences associated with the use of a pledged assets loan.

- C.** The Registrant shall provide investment management services specific to the needs of each client. Prior to providing investment management services, an investment adviser representative will determine each client's investment objective(s). Thereafter, the Registrant shall allocate and/or recommend that the client allocate investment assets consistent with the designated investment objective(s). The client may, at any time, impose reasonable restrictions, in writing, on the Registrant's services. In its sole discretion, the Registrant reserves the right to determine whether any request is reasonable.
- D.** Registrant only provides investment services on a wrap fee basis. The Registrant receives the balance of the wrap fee after all other costs incorporated into the wrap fee have been applied or deducted. Participation in a wrap program may cost the client more or less than purchasing such services separately from other investment advisers. Because the Registrant is responsible for payment of certain wrap program transaction fees and commissions to the account broker-dealer/custodian, the Registrant has an economic incentive to minimize the number of trades in the client's account. The Registrant maintains internal processes designed to review trading activity within client's accounts in an effort to mitigate this conflict of interest. As discussed below at Item 12 below, when requested to recommend a broker-dealer/custodian for client accounts, Registrant generally recommends that *Schwab* serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as *Schwab* charge brokerage

commissions, transaction, and/or other type fees for effecting **certain types of securities transactions** (i.e., including transaction fees for certain mutual funds, and mark-ups and mark-downs charged for fixed income transactions, etc.) that may not be included under our wrap fee program. The types of securities for which transaction fees, commissions, and/or other type fees (as well as the amount of those fees) shall differ depending upon the broker-dealer/custodian. Registrant's Chief Compliance Officer, Thomas Sawyer, remains available to address any questions that a client or prospective client may have regarding a wrap fee arrangement and the corresponding conflict of interest a wrap fee arrangement creates.

- E. As of December 31, 2021, the Registrant had \$4,111,015,994 in assets under management on a discretionary basis.

## **Item 5 Fees and Compensation**

### **A. SAWYER FALDUTO WRAP PROGRAM**

The current annual Program fee is negotiable but will not exceed 0.80% and is charged quarterly in arrears. The Program fee varies depending upon various objective and subjective factors. As a result, our clients could pay diverse fees based upon the type, amount and market value of their assets, the representative assigned to the account, the complexity of the engagement, the anticipated number of meetings and servicing needs, related accounts, future earning capacity, anticipated future additional assets, account composition, and negotiations with the client. As a result, similar clients could pay different fees, and higher fees will correspondingly impact a client's net account performance. Moreover, the services provided by the Registrant to any particular client could be available from other advisers at a lower cost.

The Registrant's policy is to treat intra-quarter account additions and withdrawals equally unless indicated to the contrary on the Registrant's Investment Advisory Agreement executed by the client. The Registrant's policy is to not adjust for intra-quarter cash flows. Occasionally, certain bond issues will provide additional funding intra-quarter and the fee will be prorated accordingly.

Registrant's Chief Compliance Officer, Thomas Sawyer, remains available to address any questions that a client or prospective client may have regarding the above fee disparity, impact on account performance, and conflict of interest.

- B. Clients may elect to have the Registrant's advisory fees deducted from their custodial account. Both Registrant's Investment Advisory Agreement and the custodial/ clearing agreement may authorize the custodian to debit the account for the Registrant's investment management fee and to directly remit that fee to the Registrant in compliance with regulatory procedures. In the limited event that the Registrant bills the client directly, payment is due upon receipt of the Registrant's invoice.
- C. As discussed below, unless the client directs otherwise or an individual client's circumstances require, the Registrant shall generally recommend that Schwab serve as the broker-dealer/custodian for client accounts. Broker-dealers such as Schwab charge

brokerage commissions and/or transaction fees for effecting certain securities transactions (i.e. transaction fees are charged for certain no-load mutual funds, commissions are charged for individual equity and fixed income securities transactions), however, participants in the Program will not incur such costs, as they are generally included in the Program fee. Clients will remain responsible for the payment of mark-ups and mark-downs for fixed income transactions and other fees that are discussed in more detail in the Program brochure. In addition to Registrant's investment fees, all mutual fund and exchange traded funds incur separate fees and expenses, which are borne by their shareholders. Clients will be indirectly responsible for the payment of these fees and expense, which include management fees.

**Tradeaway/Prime Broker Fees.** Relative to its discretionary investment management services, individual fixed income transactions may be effected through broker-dealers other than the account custodian, in which event, the client generally will incur both the fee charged by the executing broker-dealer (commission, mark-up/mark-down) and a separate "tradeaway" or prime broker fee charged by the account custodian. However, the Registrant will pay the "tradeaway" or prime broker fee charged by the account custodian. This presents a conflict of interest as the Registrant has an incentive to purchase and sell securities through the account's broker-dealer, even if better prices are available elsewhere. The Registrant maintains policies and procedures relating to "best execution" that seek to minimize this conflict of interest. In addition, the Registrant discloses this conflict of interest to clients so that they can make an informed decision about maintaining a relationship with the Registrant.

- D. Clients will be charged in arrears at the beginning of each calendar quarter based upon the value (market value or fair market value in the absence of market value, plus any credit balance or minus any debit balance), of the client's account at the end of the previous quarter. Fees are prorated for accounts opened during the quarter. The Registrant charges an additional fee for the current quarter if assets are deposited after the beginning of the quarter, prorated based on the number of calendar days remaining in the quarter. No portion of the fee will be credited to the client for the current calendar quarter should any withdrawals from the portfolio occur.

The Registrant generally does not require an annual minimum fee. The Registrant, in its sole discretion, may reduce its investment management fee and/or reduce or waive its minimum fee based upon certain criteria (i.e. anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc.). The Investment Advisory Agreement between the Registrant and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the Investment Advisory Agreement. Upon termination, a pro-rated portion of the earned but unpaid advisory fee shall be due.

- E. Neither the Registrant, nor its representatives accept compensation from the sale of securities or other investment products.



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

Registrant is not a party to any performance or incentive-related compensation arrangements with its clients.

## **Item 7            Types of Clients**

The Registrant's clients shall generally include individuals, high net worth individuals, pension and profit sharing plans, charitable organizations, state or municipal government entities, and trade groups. Registrant shall generally price its advisory services based upon various objective and subjective factors. As a result, our clients could pay diverse fees based upon the type, amount and market value of their assets, the anticipated complexity of the engagement, the anticipated level and scope of the overall investment advisory services to be rendered, negotiations. Additional factors affecting pricing can include related accounts, employee accounts, competition, and negotiations. As a result of these factors, similarly situated clients could pay diverse fees, and the services to be provided by Registrant to any particular client could be available from other advisers at lower fees. All clients and prospective clients should be guided accordingly. Registrant's Chief Compliance Officer, Thomas Sawyer, remains available to address any questions regarding advisory fees.

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

**A.** The Registrant may utilize the following methods of security analysis:

- Charting - (analysis performed using patterns to identify current trends and trend reversals to forecast the direction of prices)
- Fundamental - (analysis performed on historical and present data, with the goal of making financial forecasts)
- Technical – (analysis performed on historical and present data, focusing on price and trade volume, to forecast the direction of prices)
- Cyclical – (analysis performed on historical relationships between price and market trends, to forecast the direction of prices)

The Registrant may utilize the following investment strategies when implementing investment advice given to clients:

- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)

**Investment Risk.** Investing in securities involves risk of loss that clients should be prepared to bear. Different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by the Registrant) will be profitable or equal any specific performance level(s).

- B.** The Registrant's methods of analysis and investment strategies do not present any significant or unusual risks. However, every method of analysis has its own inherent risks. To perform an accurate market analysis the Registrant must have access to current/new market information. The Registrant has no control over the dissemination rate of market information; therefore, unbeknownst to the Registrant, certain analyses may be compiled with outdated market information, severely limiting the value of the Registrant's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

The Registrant's primary investment strategies - Long Term Purchases and Short Term Purchases - are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example, longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, because of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy.

- C.** Currently, the Registrant primarily allocates client investment assets among various individual equity (stocks), debt (bonds) and fixed income securities, mutual funds and/or exchange traded funds, and/or certificates of deposit on a discretionary basis in accordance with the client's designated investment objective(s).

**Mutual Funds and Exchange Traded Funds.** While the Registrant may recommend allocating investment assets to mutual funds that are not available directly to the public, the Registrant may also recommend that clients allocate investment assets to publicly-available mutual funds and exchange traded funds that the client could obtain without engaging Registrant as an investment adviser. However, if a client or prospective client determines to allocate investment assets to publicly-available mutual funds or exchange traded funds without engaging Registrant as an investment adviser, the client or prospective client would not receive the benefit of Registrant's initial and ongoing investment management services.

## **Item 9      Disciplinary Information**

Neither the Registrant nor its management have been the subject of any disciplinary actions.

## **Item 10      Other Financial Industry Activities and Affiliations**

- A.** Neither the Registrant, nor its representatives, are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.
- B.** Neither the Registrant, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.

- C. The Registrant has no other relationship or arrangement with a related person that is material to its advisory business.
- D. The Registrant does not receive, directly or indirectly, compensation from investment advisors that it recommends or selects for its clients.

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

- A. The Registrant maintains an investment policy relative to personal securities transactions. This investment policy is part of Registrant's overall Code of Ethics, which serves to establish a standard of business conduct for all of Registrant's Representatives that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940 (the "Advisers Act"), the Registrant also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by the Registrant or any person associated with the Registrant.

- B. Neither the Registrant nor any related person of Registrant recommends, buys, or sells for client accounts, securities in which the Registrant or any related person of Registrant has a material financial interest.
- C. The Registrant and/or representatives of the Registrant may buy or sell securities that are also recommended to clients. This practice may create a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a conflict of interest. Practices such as "scalping" (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if the Registrant did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, "front-running" (i.e., personal trades executed prior to those of the Registrant's clients) and other potentially abusive practices.

The Registrant has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of the Registrant's "Access Persons." The Registrant's securities transaction policy requires that an Access Person of the Registrant must provide the Chief Compliance Officer or his/her designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or his/her designee with a written report of the Access Person's current securities holdings at least once each twelve (12) month period thereafter on a date the Registrant selects.

- D. The Registrant and/or representatives of the Registrant may buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where the Registrant and/or representatives of the Registrant are in a position to materially benefit from the sale or purchase of those securities. Therefore,

this situation creates a conflict of interest. As indicated above in Item 11.C, the Registrant has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of Registrant's Access Persons.

## **Item 12 Brokerage Practices**

- A.** In the event that the client requests that the Registrant recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct the Registrant to use a specific broker-dealer/custodian), Registrant generally recommends that investment management accounts be maintained at Schwab. Prior to engaging Registrant to provide investment management services, the client will be required to enter into a formal Investment Advisory Agreement with Registrant setting forth the terms and conditions under which Registrant shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that the Registrant considers in recommending Schwab (or another broker-dealer/custodian) to clients include historical relationship with the Registrant, financial strength, reputation, execution capabilities, pricing, research, and service. Broker-dealers such as Schwab can charge transaction fees for effecting certain securities transactions (*See* Item 4 above). To the extent that a transaction fee will be payable by the client to Schwab, the transaction fee shall be in addition to Registrant's investment advisory fee referenced in Item 5 above.

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

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

Registrant's clients do not pay more because of this arrangement. There is no corresponding commitment made by the Registrant to Schwab or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products because of the above arrangement.

**The Registrant's Chief Compliance Officer, Thomas Sawyer, remains available to address any questions that a client or prospective client may have regarding the above arrangement and the conflict of interest such arrangement creates.**

2. The Registrant does not receive referrals from broker-dealers.
  3. Registrant recommends that its clients utilize the brokerage and custodial services provided by Schwab. The Firm generally does not accept directed brokerage arrangements (but could make exceptions). A directed brokerage arrangement arises when a client requires that account transactions be effected through a specific broker-dealer/custodian, other than one generally recommended by Registrant (i.e., Schwab). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and Firm will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by Registrant. As a result, a client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. **Please Note:** In the event that the client directs Registrant to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction may cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through Registrant. **Please Also Note:** Higher transaction costs adversely impact account performance. **Please Further Note:** Transactions for directed accounts will generally be executed following the execution of portfolio transactions for non-directed accounts.
- B.** Transactions for each client account generally will be effected independently unless Firm decides to purchase or sell the same securities for several clients at approximately the same time. The Firm may (but is not obligated to) combine or "batch" such orders for individual equity transactions (including ETFs) with the intention to obtain better price execution, to negotiate more favorable commission rates, or to allocate more equitably among the Firm's clients differences in prices and commissions or other transaction costs that might have occurred had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. In the event that the Firm becomes aware that a Firm employee seeks to trade in the same security on the same day, the employee transaction will either be included in the "batch" transaction or transacted after all discretionary client transactions have been completed. The Firm shall not receive any additional compensation or remuneration as the result of such aggregation.

### **Item 13      Review of Accounts**

- A.** For those clients to whom Registrant provides investment management services, account reviews are conducted on a periodic basis by the Registrant's Principals and/or representatives. All investment management clients are advised that it remains their responsibility to advise the Registrant of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to

review financial planning issues (to the extent applicable), investment objectives and account performance with the Registrant on an annual basis.

- B.** The Registrant may conduct account reviews on an other than periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.
- C.** Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. The Registrant may also provide a written periodic report summarizing account activity and performance.

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

- A.** As referenced in Item 12.A.1 above, the Registrant may receive economic benefits from Schwab, which are discussed in greater detail in that section. There is no corresponding commitment made by Registrant to Schwab, or to any other entity, to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as the result of the above arrangement.
- B.** Registrant does not maintain solicitor arrangements/pay referral fee compensation to non-employees for new client introductions.

#### **Item 15      Custody**

The Registrant shall have the ability to have its advisory fee for each client debited by the custodian on a quarterly basis. Clients are provided, at least quarterly, with written transaction confirmation notices and regular written summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. The Registrant may also provide a written periodic report summarizing account activity and performance.

To the extent that the Registrant provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by the Registrant with the account statements received from the account custodian. The account custodian does not verify the accuracy of the Registrant's advisory fee calculation.

#### **Item 16      Investment Discretion**

The Registrant provides investment management services on a discretionary basis. Prior to the Registrant assuming discretionary authority over a client's account, clients are required to execute an Investment Advisory Agreement, granting the Registrant full authority to buy, sell, or otherwise effect investment transactions involving the assets in the client's name found in the discretionary account.

Clients who engage Registrant on a discretionary basis may, at any time, impose restrictions, **in writing**, on Registrant's discretionary authority. (i.e., limit the types/amounts of particular securities purchased for their account, exclude the ability to

purchase securities with an inverse relationship to the market, limit or proscribe Registrant's use of margin, etc.).

#### **Item 17      Voting Client Securities**

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

#### **Item 18      Financial Information**

- A.** The Registrant does not solicit fees of more than \$1,200, per client, six months or more in advance.
- B.** The Registrant is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.
- C.** The Registrant has not been the subject of a bankruptcy petition.

**ANY QUESTIONS: The Registrant's Chief Compliance Officer, Thomas Sawyer, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.**