

## **FINANCIAL ASSET MANAGEMENT CORPORATION**

*a Registered Investment Adviser*

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This brochure provides information about the qualifications and business practices of Financial Asset Management Corporation (hereinafter “FAM” or the “Firm”). If you have any questions about the contents of this brochure, please contact the Firm at the telephone number listed above. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority. Additional information about the Firm is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The Firm is a registered investment adviser. Registration does not imply any level of skill or training.

**Item 2. Material Changes**

In this Item, FAM is required to discuss any material changes that have been made to the brochure since the last annual amendment dated March 18, 2022. While the format and general language of the brochure have been overhauled, no substantive changes have been made.

**Item 3. Table of Contents**

Item 2. Material Changes.....	2
Item 3. Table of Contents .....	3
Item 4. Advisory Business.....	4
Item 5. Fees and Compensation.....	6
Item 6. Performance-Based Fees and Side-by-Side Management .....	8
Item 7. Types of Clients .....	8
Item 8. Methods of Analysis, Investment Strategies and Risk of Loss.....	8
Item 9. Disciplinary Information .....	12
Item 10. Other Financial Industry Activities and Affiliations .....	12
Item 11. Code of Ethics .....	13
Item 12. Brokerage Practices .....	14
Item 13. Review of Accounts .....	17
Item 14. Client Referrals and Other Compensation.....	18
Item 15. Custody.....	18
Item 16. Investment Discretion.....	19
Item 17. Voting Client Securities .....	19
Item 18. Financial Information .....	19

## Item 4. Advisory Business

FAM offers a variety of advisory services, which include financial planning, consulting, and investment management services. Prior to FAM rendering any of the foregoing advisory services, clients are required to enter into one or more written agreements with FAM setting forth the relevant terms and conditions of the advisory relationship (the “Advisory Agreement”).

FAM has been registered as an investment adviser since 1986 and is owned by Scott M. Kahan and Viktoria Kamin. As of December 31, 2022, FAM had \$316,210,131 assets under management, \$273,909,495 of which was managed on a discretionary basis and \$42,300,636 of which was managed on a non-discretionary basis.

While this brochure generally describes the business of FAM, certain sections also discuss the activities of its Supervised Persons, which refer to the Firm’s officers, partners, directors (or other persons occupying a similar status or performing similar functions), employees or other persons who provide investment advice on FAM’s behalf and are subject to the Firm’s supervision or control.

Financial Planning is the process of meeting your life goals through the development and proper management of your financial resources. Life goals may include buying a home, saving for college, planning for retirement, or wealth accumulation. The Firm’s services include both Financial Planning and Investment Management on an ongoing basis.

### Financial Planning and Consulting Services

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Financial planning is an all-inclusive process, requiring review and analysis of all aspects of a client’s financial situation that can include: Cash Flow; Tax Planning; Retirement Planning; Education Planning; Estate Planning; Investment Analysis; and Insurance Review.

The financial planning process consists of a series of steps taken to help the client accomplish their goals.

1. FAM works with the client to identify *their* objectives;
2. FAM gathers the information pertinent to the client’s overall financial situation such as income, expenses, taxes, insurance coverage, retirement plans, investments, wills and trusts;
3. FAM reviews the client’s current financial situation based upon the information gathered;
4. FAM provides recommendations and strategies for achieving the client’s goals;
5. FAM assist the client in implementing the recommendations;

6. FAM monitor the plan on an on-going basis for needed changes

In performing these services, FAM is not required to verify any information received from the client or from the client's other professionals (e.g., attorneys, accountants, etc.) and is expressly authorized to rely on such information. FAM recommends certain clients engage the Firm for additional related services and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists for the Firm to recommend that clients engage FAM to provide (or continue to provide) additional services for compensation, including investment management services. Clients retain absolute discretion over all implementation of financial planning and consulting decisions and are under no obligation to act upon any of the recommendations made by FAM. Clients are advised that it remains their responsibility to promptly notify the Firm of any change in their financial situation or investment objectives for the purpose of reviewing, evaluating or revising FAM's recommendations and/or services.

### **Investment Management Services**

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FAM provides clients with discretionary and/or non-discretionary management of investment portfolios along with the broad range of financial planning and consulting services discussed above.

FAM primarily allocates client assets among various mutual funds, exchange-traded funds ("ETFs"), individual debt and equity securities, commercial paper, and certificates of deposit in accordance with their stated investment objectives.

Where appropriate, the Firm also provides advice about any type of legacy position or other investment held in client portfolios, but clients should not assume that these assets are being continuously monitored or otherwise advised on by the Firm unless specifically agreed upon. These positions may not be maintained at the client's primary custodian, such as variable life insurance and annuity contracts and assets held in employer sponsored retirement plans and qualified tuition plans (i.e., 529 plans). These assets are generally maintained at the underwriting insurance company or the custodian designated by the product's provider.

FAM tailors its advisory services to meet the needs of its individual clients and seeks to ensure, on a continuous basis, that client portfolios are managed in a manner consistent with those needs and objectives. FAM consults with clients on an initial and ongoing basis to assess their specific risk tolerance, time horizon, liquidity constraints and other related factors relevant to the management of their portfolios. Clients are advised to promptly notify FAM if there are changes in their financial situation or if they wish to place any limitations on the management of their portfolios. Clients can impose reasonable restrictions or mandates on the management of their accounts if FAM determines, in its sole discretion, the conditions would not materially impact the performance of a management strategy or prove overly burdensome to the Firm's management efforts.

## Item 5. Fees and Compensation

FAM offers services on a fee basis, which includes fixed fees, as well as fees based upon assets under management.

### Fees for Financial Planning and Investment Management Fees

FAM offers services for an initial and ongoing fixed fee based on the amount of assets under the Firm's management. These fees vary in accordance with the following fee schedule:

<u>Investable Assts Up To</u>	<u>Initial Planning Fee</u>	<u>Quarterly Fee</u>
Under \$500,000	Negotiable	Negotiable
Up to \$500,000	\$3,750	\$1,500
\$750,000	\$4,000	\$2,000
\$1,000,000	\$4,500	\$2,250
\$1,250,000	\$5,000	\$2,500
For each amount over \$250,000 thereafter	Additional \$500	Additional \$250

Investable Assets are considered to include investment assets over which the client has control, such as investment accounts (including cash), IRA's, employer sponsored retirement accounts, stock options, bank accounts, etc. where the Firm is providing advice. Real estate is not included as an Investable Asset. Additional fees may be charged for business or real estate analysis. The Initial Planning Fee is due at the time the Advisory Agreement is signed and covers the first six months of service. After that six months, ongoing quarterly fees will be billed quarterly in arrears. The fee is determined and remains the same for three years. After that three years the fee is adjusted for another three year period based on the client's Investable Assets and the schedule that is active and agreed upon by the client at that time.

In some cases, legacy clients are charged based on assets under management ranging from 0.60% to 1.00% annually. For these clients, management fees shall be prorated for each capital contribution and withdrawal made during the applicable calendar quarter.

In the event the advisory agreement is terminated, the fee for the final billing period is prorated through the effective date of the termination and the outstanding or unearned portion of the fee is charged or refunded to the client, as appropriate. The Firm requires thirty (30) days written notice for termination.

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**Fee Discretion**

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FAM may, in its sole discretion, negotiate to charge a lesser fee based upon certain criteria, such as anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing/legacy client relationship, account retention, pro bono activities, or competitive purposes.

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**Additional Fees and Expenses**

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In addition to the advisory fees paid to FAM, clients also incur certain charges imposed by other third parties, such as broker-dealers, custodians, trust companies, banks and other financial institutions (collectively “Financial Institutions”). These additional charges include securities brokerage commissions, transaction fees, custodial fees, margin and other borrowing costs, charges imposed directly by a mutual fund or ETF in a client’s account, as disclosed in the fund’s prospectus (*e.g.*, fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. The Firm’s brokerage practices are described at length in Item 12, below.

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**Direct Fee Debit**

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Clients provide FAM with the authority to directly debit their accounts for payment of the investment advisory fees. The Financial Institutions that act as the qualified custodian for client accounts, from which the Firm retains the authority to directly deduct fees, have agreed to send statements to clients not less than quarterly detailing all account transactions, including any amounts paid to FAM. Alternatively, clients may elect to have FAM send a separate invoice for direct payment.

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**Account Additions and Withdrawals**

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Clients can make additions to and withdrawals from their account at any time, subject to FAM’s right to terminate an account. Additions can be in cash or securities provided that the Firm reserves the right to liquidate any transferred securities or declines to accept particular securities into a client’s account. Clients can withdraw account assets on notice to FAM, subject to the usual and customary securities settlement procedures. However, the Firm designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client’s investment objectives. FAM may consult with its clients about the options and implications of transferring securities. Clients are advised that when transferred securities are liquidated, they may be subject to transaction fees, short-term redemption fees, fees assessed at the mutual fund level (*e.g.*, contingent deferred sales charges) and/or tax ramifications.

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

FAM does not provide any services for a performance-based fee (i.e., a fee based on a share of capital gains or capital appreciation of a client's assets).

## Item 7. Types of Clients

FAM offers services to individuals, high net worth individuals, small business owners and their pension and profit-sharing plans.

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

### Methods of Analysis and Investment Strategies

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FAM has various model portfolios that are used to manage client assets. To determine these models, the Firm uses fundamental and cyclical analysis to determine asset allocations. This information is derived from financial news available (both print and on-line), third party research that FAM subscribes to, and annual reports issued by companies and investment firms (such as mutual fund companies).

In most cases, FAM is utilizing mutual funds and ETF's in its model portfolios. At times, individual securities can be used to meet client objectives. FAM does not use option writing and other aggressive strategies, but the managers of the mutual funds in a client portfolio may at times use various strategies that FAM would not directly use. These strategies would be explained in the prospectus issued by the investment company.

*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 and its 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.

*Cyclical Analysis* - a type of technical analysis that involves evaluating recurring price patterns and trends. 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.

The strategies used by FAM are long term in nature (held more than a year). At times, short term purchases and sales can occur.

*Long-Term Purchases* - securities purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.

Using a long-term purchase strategy generally assumes the financial markets will go up in the long-term which may not be the case. There is also the risk that the segment of the market that you are invested in or perhaps just your particular investment will go down over time even if the overall financial markets advance. Purchasing investments long-term may create an opportunity cost - "locking-up" assets that may be better utilized in the short-term in other investments.

*Short-Term Purchases* - securities purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short-term price fluctuations.

Using a short-term purchase strategy generally assumes that we can predict how financial markets will perform in the short-term which may be very difficult and will incur a disproportionately higher amount of transaction costs compared to long-term trading. There are many factors that can affect financial market performance in the short-term (such as short-term interest rate changes, cyclical earnings announcements, etc.) but may have a smaller impact over longer periods of times.

### **Risk of Loss**

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The following list of risk factors does not purport to be a complete enumeration or explanation of the risks involved with respect to the Firm's investment management activities. Clients should consult with their legal, tax, and other advisors before engaging the Firm to provide investment management services on their behalf.

#### *Market Risks*

Investing involves risk, including the potential loss of principal, and all investors should be guided accordingly. The profitability of a significant portion of FAM's recommendations and/or investment decisions may depend to a great extent upon correctly assessing the future course of price movements of stocks, bonds and other asset classes. In addition, investments may be adversely affected by financial markets and economic conditions throughout the world. There can be no assurance that FAM will be able to predict these price movements accurately or capitalize on any such assumptions.

*Volatility Risks*

The prices and values of investments can be highly volatile, and are influenced by, among other things, interest rates, general economic conditions, the condition of the financial markets, the financial condition of the issuers of such assets, changing supply and demand relationships, and programs and policies of governments.

*Cash Management Risks*

The Firm may invest some of a client's assets temporarily in money market funds or other similar types of investments, during which time an advisory account may be prevented from achieving its investment objective.

*Equity-Related Securities and Instruments*

The Firm may take long positions in common stocks of U.S. and non-U.S. issuers traded on national securities exchanges and over-the-counter markets. The value of equity securities varies in response to many factors. These factors include, without limitation, factors specific to an issuer and factors specific to the industry in which the issuer participates. Individual companies may report poor results or be negatively affected by industry and/or economic trends and developments, and the stock prices of such companies may suffer a decline in response. In addition, equity securities are subject to stock risk, which is the risk that stock prices historically rise and fall in periodic cycles. U.S. and non-U.S. stock markets have experienced periods of substantial price volatility in the past and may do so again in the future. In addition, investments in small-capitalization, midcapitalization and financially distressed companies may be subject to more abrupt or erratic price movements and may lack sufficient market liquidity, and these issuers often face greater business risks.

*Fixed Income Securities*

While the Firm emphasizes risk-averse management and capital preservation in its fixed-income bond portfolios, clients who invest in this product can lose money, including losing a portion of their original investment. The prices of the securities in our portfolios fluctuate. The Firm does not guarantee any particular level of performance. Below is a representative list of the types of risks clients should consider before investing in this product.

- Interest rate risk. Prices of bonds tend to move in the opposite direction to interest rate changes. Typically, a rise in interest rates will negatively affect bond prices. The longer the duration and average maturity of a portfolio, the greater the likely reaction to interest rate moves.
- Credit (or default) risk. A bond's price will generally fall if the issuer fails to make a scheduled interest or principal payment, if the credit rating of the security is downgraded, or if the perceived creditworthiness of the issuer deteriorates.

- Liquidity risk. Sectors of the bond market can experience a sudden downturn in trading activity. When there is little or no trading activity in a security, it can be difficult to sell the security at or near its perceived value. In such a market, bond prices may fall.
- Call risk. Some bonds give the issuer the option to call or redeem the bond before the maturity date. If an issuer calls a bond when interest rates are declining, the proceeds may have to be reinvested at a lower yield. During periods of market illiquidity or rising rates, prices of callable securities may be subject to increased volatility.
- Prepayment risk. When interest rates fall, the principal of mortgage-backed securities may be prepaid. These prepayments can reduce the portfolio's yield because proceeds may have to be reinvested at a lower yield.
- Extension risk. When interest rates rise or there is a lack of refinancing opportunities, prepayments of mortgage-backed securities or callable bonds may be less than expected. This would lengthen the portfolio's duration and average maturity and increase its sensitivity to rising rates and its potential for price declines.

#### *Mutual Funds and ETFs*

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (*e.g.*, sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to actual NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for index-based ETFs and potentially more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV. There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 20,000 shares

or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

Finally, some mutual funds and ETFs may have lock-up periods that restrict an investor from selling their position for a period of time. Other mutual funds and ETFs could also have early redemption fees that are taken if the investor sells their position before a certain amount of time.

#### *Management through Similarly Managed “Model” Accounts*

FAM manages certain accounts through the use of similarly managed “model” portfolios, whereby the Firm allocates all or a portion of its clients’ assets among various mutual funds and/or securities on a discretionary basis using one or more of its investment strategies. In managing assets through the use of models, the Firm remains in compliance with the safe harbor provisions of Rule 3a-4 of the Investment Company Act of 1940.

The strategy used to manage a model portfolio may involve an above average portfolio turnover that could negatively impact clients’ net after tax gains. While the Firm seeks to ensure that clients’ assets are managed in a manner consistent with their individual financial situations and investment objectives, securities transactions effected pursuant to a model investment strategy are usually done without regard to a client’s individual tax ramifications. Clients should contact the Firm if they experience a change in their financial situation or if they want to impose reasonable restrictions on the management of their accounts.

#### *Interest Rate Risks*

Interest rates may fluctuate significantly, causing price volatility with respect to securities or instruments held by clients.

## **Item 9. Disciplinary Information**

FAM has not been involved in any legal or disciplinary events that are material to a client’s evaluation of its advisory business or the integrity of its management.

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

This item requires investment advisers to disclose certain financial industry activities and affiliations. The Firm does not have any other financial industry activities or affiliations that need to be disclosed.

## Item 11. Code of Ethics

FAM has adopted a code of ethics in compliance with applicable securities laws (“Code of Ethics”) that sets forth the standards of conduct expected of its Supervised Persons. FAM’s Code of Ethics contains written policies reasonably designed to prevent certain unlawful practices such as the use of material non-public information by the Firm or any of its Supervised Persons and the trading by the same of securities ahead of clients in order to take advantage of pending orders.

The Code of Ethics also requires certain of FAM’s personnel to report their personal securities holdings and transactions and obtain pre-approval of certain investments (*e.g.*, initial public offerings, limited offerings). However, the Firm’s Supervised Persons are permitted to buy or sell securities that it also recommends to clients if done in a fair and equitable manner that is consistent with the Firm’s policies and procedures. This Code of Ethics has been established recognizing that some securities trade in sufficiently broad markets to permit transactions by certain personnel to be completed without any appreciable impact on the markets of such securities. Therefore, under limited circumstances, exceptions may be made to the policies stated below.

When the Firm is engaging in or considering a transaction in any security on behalf of a client, no Supervised Person with access to this information may knowingly effect for themselves or for their immediate family (*i.e.*, spouse, minor children and adults living in the same household) a transaction in that security unless:

- the transaction has been completed;
- the transaction for the Supervised Person is completed as part of a batch trade with clients; or
- a decision has been made not to engage in the transaction for the client.

These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers’ acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by money market funds; and iv) shares issued by other unaffiliated open-end mutual funds.

Clients and prospective clients may contact FAM to request a copy of its Code of Ethics by contacting the Firm at the phone number on the cover page of this brochure.

## Item 12. Brokerage Practices

### Recommendation of Broker-Dealers for Client Transactions

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FAM recommends that clients utilize the custody, brokerage and clearing services of Charles Schwab & Co, Inc. through its Schwab Advisor Services division ("Schwab") for investment management accounts. The final decision to custody assets with Schwab 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 accountholder. FAM is independently owned and operated and not affiliated with Schwab. Schwab provides FAM with access to its institutional trading and custody services, which are typically not available to retail investors.

Factors which FAM considers in recommending Schwab or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. Schwab enables the Firm to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by Schwab may be higher or lower than those charged by other Financial Institutions.

The commissions paid by FAM's clients to Schwab comply with the Firm's duty to obtain "best execution." Clients may pay commissions that are higher than another qualified Financial Institution might charge to effect the same transaction where FAM determines that the commissions are reasonable in relation to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a Financial Institution's services, including among others, the value of research provided, execution capability, commission rates and responsiveness. FAM seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

FAM periodically and systematically reviews its policies and procedures regarding its recommendation of Financial Institutions in light of its duty to obtain best execution.

### Software and Support Provided by Financial Institutions

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FAM receives without cost from Schwab administrative support, computer software, related systems support, as well as other third party support as further described below (together "Support") which allow FAM to better monitor client accounts maintained at Schwab and otherwise conduct its business. FAM receives the Support without cost because the Firm renders investment management services to clients that maintain assets at Schwab. The Support is not provided in connection with securities transactions of clients (i.e., not "soft dollars"). The Support benefits FAM, but not its clients directly. Clients should be aware that FAM's receipt of economic benefits such as the Support from a broker-dealer creates a conflict of interest since these benefits will influence the Firm's choice of broker-dealer over another that does not

furnish similar software, systems support or services. In fulfilling its duties to its clients, FAM endeavors at all times to put the interests of its clients first and has determined that the recommendation of Schwab is in the best interest of clients and satisfies the Firm's duty to seek best execution.

Specifically, FAM receives the following benefits from Schwab: i) receipt of duplicate client confirmations and bundled duplicate statements; ii) access to a trading desk that exclusively services its institutional traders; iii) access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and iv) access to an electronic communication network for client order entry and account information.

These services generally are available to independent investment advisors on an unsolicited basis, at no charge to them so long as a certain amount of the advisor's clients' assets are maintained in accounts at Schwab. 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.

For 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 the Firm other products and services that benefit the Firm but may not benefit its clients' accounts. These benefits may include national, regional or Firm specific educational events organized and/or sponsored by Schwab. Other potential benefits may include occasional business entertainment of personnel of FAM by Schwab 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 FAM 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 the Firm'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 the Firm's accounts, including accounts not maintained at Schwab. Schwab also makes available to FAM other services intended to help the Firm 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 the Firm by independent third parties. Schwab 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 the Firm. While, as a fiduciary, FAM endeavors to act in its clients' best interests, the Firm's recommendation that clients maintain their assets in accounts at Schwab may be based in part on the benefits received and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which creates a potential conflict of interest.

### **Brokerage for Client Referrals**

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FAM does not consider, in selecting or recommending broker-dealers, whether the Firm receives client referrals from the Financial Institutions or other third party.

### **Directed Brokerage**

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The client may direct FAM in writing to use a particular Financial Institution to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that Financial Institution and the Firm will not seek better execution services or prices from other Financial Institutions or be able to "batch" client transactions for execution through other Financial Institutions with orders for other accounts managed by FAM (as described above). As a result, the client may pay higher commissions or other transaction costs, greater spreads or may receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, FAM may decline a client's request to direct brokerage if, in the Firm's sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

### **Trade Aggregation**

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Transactions for each client will be effected independently, unless FAM decides to purchase or sell the same securities for several clients at approximately the same time. FAM may (but is not obligated to) combine or "batch" such orders to obtain best execution, to negotiate more favorable commission rates or to allocate equitably among the Firm's clients differences in prices and commissions or other transaction costs that might not have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and allocated among FAM's clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that the Firm determines to aggregate client orders for the purchase or sale of securities, including securities in which FAM's Supervised Persons may invest, the Firm does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. FAM does not receive any additional compensation or remuneration as a result of the aggregation.

In the event that the Firm determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order



or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a de minimis allocation in one or more accounts, the Firm may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

### **Trade Errors**

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In the event a trading error occurs in a client's account, the Firm's policy is to restore the account to the position it should have been in had the trade error not occurred. Depending on the circumstances, corrective actions may include canceling the trade, adjusting an allocation, and/or reimbursing the account. If a trade error results in a profit, the trade error will be corrected in the trade error account of the executing broker-dealer and the client will not keep the profit. This results in a conflict of interest to characterize a trade as an error in order to have credits in the trade error account.

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

Investment accounts are reviewed each quarter for needed changes based on the client portfolio model. More frequent reviews may be triggered by market, economic and/or political events. A change in the client's situation may also cause a review more frequently. While other individuals may review accounts, Scott M. Kahan, CFP does a final review of all accounts.

Clients have access to reporting that shows portfolio performance and allocation. The data is updated regularly and is available through a web portal and/or application which the Firm provides access to.

Client's financial planning needs are addressed periodically during the year. Updates can either be written reports or discussions regarding specific planning needs a client may have. Reviews are performed by the adviser assigned to the client.

## Item 14. Client Referrals and Other Compensation

### Client Referrals

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The Firm does not currently provide compensation to any third-party solicitors for client referrals.

### Other Compensation

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The Firm receives economic benefits from Schwab. The benefits, conflicts of interest and how they are addressed are discussed above in response to Item 12.

## Item 15. Custody

FAM is deemed to have custody of client funds and securities because the Firm is given the ability to debit client accounts for payment of the Firm's fees. As such, client funds and securities are maintained at one or more Financial Institutions that serve as the qualified custodian with respect to such assets. Such qualified custodians will send account statements to clients at least once per calendar quarter that typically detail any transactions in such account for the relevant period.

In addition, as discussed in Item 13, FAM will also send, or otherwise make available, periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the Financial Institutions and compare them to those received from FAM. Any other custody disclosures can be found in the Firm's Form ADV Part 1.

### Standing Letters of Authorization

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FAM also has custody due to clients giving the Firm limited power of attorney in a standing letter of authorization ("SLOA") to disburse funds to one or more third parties as specifically designated by the client. In such circumstances, the Firm will implement the steps in the SEC's no-action letter on February 21, 2017 which includes (in summary): i) client will provide instruction for the SLOA to the custodian; ii) client will authorize the Firm to direct transfers to the specific third party; iii) the custodian will perform appropriate verification of the instruction and provide a transfer of funds notice to the client promptly after each transfer; iv) the client will have the ability to terminate or change the instruction; v) the Firm will have no authority or ability to designate or change the identity or any information about the third party; vi) the Firm will keep records showing that the third party is not a related party of the Firm or located at the same address as the Firm; and vii) the custodian will send the client an initial and annual notice confirming the SLOA instructions.

## Item 16. Investment Discretion

FAM is given the authority to exercise discretion on behalf of some clients. FAM is considered to exercise investment discretion over a client's account if it can affect and/or direct transactions in client accounts without first seeking their consent. FAM is given this authority through a power-of-attorney included in the agreement between FAM and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). FAM takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold; and
- When transactions are made.

## Item 17. Voting Client Securities

### Declination of Proxy Voting Authority

FAM does not accept the authority to vote a client's securities (i.e., proxies) on their behalf. Clients receive proxies directly from the Financial Institutions where their assets are custodied and may contact the Firm at the contact information on the cover of this brochure with questions about any such issuer solicitations.

## Item 18. Financial Information

FAM is not required to disclose any financial information listed in the instructions to Item 18 because:

- The Firm does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance of services rendered;
- The Firm does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients; and
- The Firm has not been the subject of a bankruptcy petition at any time during the past ten years.