

Form ADV Uniform Application for Investment Adviser Registration - Part II

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Date Prepared: 9/16/09

Name of Investment Adviser: **Siligmuller Financial Management LLC**

Address: 586 Duane Street, Suite 202, Glen Ellyn, IL, 60137 630-858-3651

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**This part of Form ADV gives information about the investment adviser and its business for the use of clients.
The information has not been approved or verified by any governmental authority.**

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1. A. Advisory Services and Fees. (check the applicable boxes) For each type of service provided, state the approximate % of total advisory billings from that service. (See instruction below.)

Applicant:

- X (1) Provides investment supervisory services 100%
(2) Manages investment advisory accounts not involving investment supervisory services
(3) Furnishes investment advice through consultations not included in either service described above
(4) Issues periodicals about securities by subscription
(5) Issues special reports about securities not included in any service described above
(6) Issues, not as part of any service described above, any charts, graphs, formulas, or other devices which clients may use to evaluate securities
(7) On more than an occasional basis, furnishes advice to clients on matters not involving securities
(8) Provides a timing service
(9) Furnishes advice about securities in any manner not described above

(Percentages should be based on applicant's last fiscal year. If applicant has not completed its first fiscal year, provide estimates of advisory billings for that year and state that the percentages are estimates.)

B. Does applicant call any of the services it checked above financial planning or some similar term? Yes

C. Applicant offers investment advisory services for: (check all that apply)

- X (1) A percentage of assets under management (4) Subscription fees
X (2) Hourly charges (5) Commissions
(3) Fixed fees (not including subscription fees) (6) Other
-

D. For each checked box in A above, describe on Schedule F (see schedule F):

- the services provided, including the name of any publication or report issued by the adviser on a subscription basis or for a fee
 - applicant's basic fee schedule, how fees are charged and whether its fees are negotiable
 - when compensation is payable, and if compensation is payable before service is provided, how a client may get a refund or may terminate an investment advisory contract before its expiration date
-

2. Types of Clients - Applicant generally provides investment advice to: (check those that apply)

- X A. Individuals
B. Banks or thrift institutions
C. Investment companies
X D. Pension and profit sharing plans
E. Trusts, estates, or charitable organizations
F. Corporations or business entities other than those listed above
G. Other (describe on Schedule F)
-

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3. Types of Investments. Applicant offers advice on the following: (check those that apply)

A. Equity securities

- (1) exchange-listed securities
- (2) securities traded over-the-counter
- (3) foreign issuers

B. Warrants

C. Corporate debt securities (other than commercial paper)

D. Commercial paper

E. Certificates of deposit

F. Municipal securities

G. Investment company securities:

- (1) variable life insurance
- (2) variable annuities
- (3) mutual fund shares

H. United States government securities

I. Options contracts on:

- (1) securities
- (2) commodities

J. Futures contracts on:

- (1) tangibles
- (2) intangibles

K. Interests in partnerships investing in:

- (1) real estate
- (2) oil and gas interests
- (3) other (explain on Schedule F)

L. Other (explain on Schedule F)

4. Methods of Analysis, Sources of Information, and Investment Strategies.

A. Applicant's security analysis methods include: (check those that apply)

- (1) Charting
 - (2) Fundamental
 - (3) Technical
 - (4) Cyclical
 - (5) Other (explain on Schedule F)
-

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B. The main sources of information applicant uses include: (check those that apply)

- X (1) Financial newspapers and magazines
 - (2) Inspections of corporate activities
 - X (3) Research materials prepared by others
 - X (4) Corporate rating services
 - X (5) Timing services
 - X (6) Annual reports, prospectuses, filings with the Securities and Exchange Commission
 - X (7) Company press releases
 - (8) Other (explain on Schedule F)
-

C. The investment strategies used to implement any investment advice given to clients include: (check those that apply)

- X (1) Long term purchases (securities held at least a year)
 - X (2) Short term purchases (securities sold within 30 days)
 - X (3) Trading (securities sold within a year)
 - (4) Short sales
 - (5) Margin transactions
 - (6) Option writing, including covered options, uncovered options or spreading strategies
 - X (7) Other (explain on Schedule F)
-

5. Education and Business Standards.

Are there any general standards of education or business experience that applicant requires of those involved in determining or giving investment advice to clients? Yes

(If yes, describe these standards on Schedule F.)

6. Education and Business Background.

For:

- each member of the investment committee or group that determines general investment advice to be given to clients, or
- if the applicant has no investment committee or group, each individual who determines general investment advice given to clients (if more than five, respond only for their supervisors)
- each principal executive officer of applicant or each person with similar status or performing similar functions.

On Schedule F, give the:

- name
 - year of birth
 - formal education after high school
 - business background for the preceding five years
-

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7. Other Business Activities. (check those that apply) None Apply

- A. Applicant is actively engaged in a business other than giving investment advice.
 - B. Applicant sells products or services other than investment advice to clients.
 - C. The principal business of applicant or its principal executive officers involves something other than providing investment advice.
-

8. Other Financial Industry Activities or Affiliations. (check those that apply) None Apply

- A. Applicant is registered (or has an application pending) as a securities broker-dealer.
- B. Applicant is registered (or has an application pending) as a futures commission merchant, commodity pool operator or commodity trading adviser.
- C. Applicant has arrangements that are material to its advisory business or its clients with a related person who is a:
 - (1) broker-dealer
 - (2) investment company
 - (3) other investment adviser
 - (4) financial planning firm
 - (5) commodity pool operator, commodity trading adviser or futures commission merchant
 - (6) banking or thrift institution
 - (7) accounting firm
 - (8) law firm
 - (9) insurance company or agency
 - (10) pension consultant
 - (11) real estate broker or dealer
 - (12) entity that creates or packages limited partnerships

(For each checked box in C, on Schedule F identify the related person and describe the relationship and the arrangements.)

- D. Is applicant or a related person a general partner in any partnership in which clients are solicited to invest? No
-

9. Participation or Interest in Client Transactions.

Applicant or a related person: (check those that apply)

- A. As principal, buys securities for itself from or sells securities it owns to any client.
- B. As broker or agent effects securities transactions for compensation for any client.
- C. As broker or agent for any person other than a client effects transactions in which client securities are sold to or bought from a brokerage customer.
- D. Recommends to clients that they buy or sell securities or investment products in which the applicant or a related person has some financial interest.
- X E. Buys or sells for itself securities that it also recommends to clients.

(For each box checked, describe on Schedule F when the applicant or a related person engages in these transactions and what restrictions, internal procedures, or disclosures are used for conflicts of interest in those transactions.)

Describe, on Schedule F, your code of ethics, and state that you will provide a copy of your code of ethics to any client or prospective client upon request.

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10. Conditions for Managing Accounts.

Does the applicant provide investment supervisory services, manage investment advisory accounts or hold itself out as providing financial planning or some similarly termed services *and* impose a minimum dollar value of assets or other conditions for starting or maintaining an account? Yes
(If yes, describe on Schedule F)

11. Review of Accounts. If applicant provides investment supervisory services, manages investment advisory accounts, or holds itself out as providing financial planning or some similarly termed services:

A. Describe below the reviews and reviewers of the accounts. **For reviews**, include their frequency, different levels, and triggering factors. **For reviewers**, include the number of reviewers, their titles and functions, instructions they receive from applicant on performing reviews, and number of accounts assigned each.

Reviews:

- i) Each client portfolio (a portfolio may consist of one brokerage account or multiple accounts for multiple people) total investment return is reviewed monthly and quarterly by comparison with the return of an index based target or model portfolio. If the client's return is significantly different than the target, the reason for the variance is assessed. A series of better or worse than expected results would usually result in portfolio adjustments being made.
- ii) The client's asset mix (% invested by asset class or investment style) is compared to a target allocation at least quarterly. Rebalancing to the target allocation may be done at any time.
- iii) All equity securities owned by clients are reviewed at least quarterly for price trends, news stories, earnings releases, or general industry or economic news that would impact the stock price. While the Advisor does not engage in active trading, a series of positive or negative developments might result in the security being bought or sold.
- iv) All mutual funds owned by the clients are reviewed quarterly by comparison of returns and risk to appropriate benchmarks. In addition, the correlation with the stated style is checked. A series of worse than benchmark results or a manager change may result in the fund being sold regardless of tax implications.

Reviewers:

- i) The firm has two (2) reviewers each described in item F(6) below
- ii) The reviews follow the process noted above
- iii) Less than 100 accounts are assigned to each reviewer.

B. Describe below the nature and frequency of regular reports to clients on their accounts.

- i) The broker dealer that is the custodian for the investments will mail or e-mail confirmation of all transactions in each account as well as send monthly statements which include among other data the market value of securities owned and income earned. Also, on-line internet account access is provided.
 - ii) The Advisor will prepare a quarterly analysis by portfolio of the internal rate of return versus the return for an index fund based model portfolio for various time periods. In addition reports which show the return for each holding for the current time period being reported, an asset allocation mix versus the target and listing of all transactions in past calendar quarter will be provided.
-

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12. Investment or Brokerage Discretion.

A. Does applicant or any related person have authority to determine, without obtaining specific client consent, the (Check those that apply):

X (1) securities to be bought or sold?

X (2) amount of the securities to be bought or sold?

(3) broker or dealer to be used? (4) commission rates paid?

B. Does applicant or a related person suggest brokers to clients? Yes

For each yes answer to A describe on Schedule F any limitations on the authority. For each yes to A(3), A(4) or B, describe on Schedule F the factors considered in selecting brokers and determining the reasonableness of their commissions. If the value of products, research and services given to the applicant or a related person is a factor, describe:

- the products, research and services
 - whether clients may pay commissions higher than those obtainable from other brokers in return for those products and services
 - whether research is used to service all of applicant's accounts or just those accounts paying for it; and
 - any procedures the applicant used during the last fiscal year to direct client transactions to a particular broker in return for product and research services received.
-

13. Additional Compensation.

Does the applicant or a related person have any arrangements, oral or in writing, where it:

A. is cash paid or some economic benefit received (including commissions, equipment or non-research services) from a non-client in connection with giving advice to clients? No

B. directly or indirectly compensates any person for client referrals? Yes

(For each yes, describe the arrangements on Schedule F.)

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14. Balance Sheet. Applicant must provide a balance sheet for the most recent fiscal year on Schedule G if applicant:

- has custody of client funds or securities (unless applicant is registered or registering only with the Securities and Exchange Commission); or
- requires prepayment of more than \$500 in fees per client and 6 or more months in advance

Has applicant provided a Schedule G balance sheet? No

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Schedule F of
FORM ADV – Page 1
Continuation Sheet for Form ADV Part II

1. Full name of applicant exactly as stated in Item 1A of Part I of Form ADV: **Siligmuller Financial Management LLC**

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(identity)

1. Advisory Services and Fees

Answer

A. Applicant provides the following types of services:

(1) Investment supervisory services

- Description of services provided for new client

- Determine present financial situation by assessing all relevant personal and financial data including: risk tolerance, current and projected cash flow, investment time horizon, insurance coverage and financial goals (retirement, education of children and legacy).
- Develop financial projections based on above data using computer based probability simulation modeling.
- Address estate or legacy financial goals, if requested, by reviewing existing life, health and long term care insurance coverage, survivor needs and potential estate taxes (Note: client selected insurance agent and attorney are responsible for final estate planning, structure and document preparation)
- Develop an investment strategy which best matches goals with investment time horizon and risk tolerance. The objective will be to attain one's financial goals while minimizing risk. (See section 4 C below)
- Implement investment strategy by identification of specific securities to acquire, hold or sell and instructing broker/dealer to execute appropriate trades.

- Description of ongoing services for existing client:

- See 11 above
- Client has responsibility for immediately updating advisor of any significant changes in personal financial condition.

- Fees:

Advisor charges fees for investment advisory services based on a percentage of assets under management, an hourly charges or a fixed fee. Fees are not charged on any other basis such as a subscription or commission.

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Answer

- i). Description of fees for investment supervisory services charges:
- a) A one-time new account set up fee of \$1000
 - b) A recurring quarterly fee based on the market value of assets under management as of the calendar quarter end of:
 - i) Fee rate is 0.1875% (0.75% annually) on the first \$1,000,000 of holdings; 0.1625% (0.65% annually) on the next \$1,000,000; 0.15% (0.60% annually) on the next \$1,000,000; 0.125% (0.50% annually) on the next \$2,000,000, and 0.10% (0.40% annually) on holdings over \$5,000,000.
 - c) Client assets held in multiple accounts (separate accounts may exist for different family members or different tax status) will be aggregated to reduce fees.
 - d) Assets invested in Mutual Funds are charged an additional fee by the Fund for investment advisory and other services. These fees typically range from 0.20% to 1.25% annually. This fee is deducted by the Fund when calculating its price/net asset value, so it is not deducted directly from your account.
 - e) In special circumstances, fees different than these may be negotiated.
 - f) Fees are earned from the date the contract is signed, or any agreed upon later date, and will be pro-rated for a partial quarter.
 - g) Fees can be adjusted with 90 days written notice.
 - h) No fees will be charged in advance.
 - i) Advisory agreements may be terminated at any time upon 90 days written notice. Fees due shall be prorated to the date of the termination.
4. Methods of Analysis, Sources of Information and Investment Strategies
- A. Applicant's security analysis methods include (2), (5) Fundamental and other:
- Analysis of stocks will be based primarily on fundamental financial analysis. This includes review of basic financial ratios such as current versus historical price to earnings (PE), PE to growth (PEG) ratios, as well as trading range.
 - Analysis of mutual funds will be based on management style (active versus passive), historical relative performance, operating expenses, risk/reward, modern portfolio ratios, tax efficiency and tenure of portfolio manager.
- C. The investment strategies used to implement any investment advice given to clients include:
Advisor follows an active asset allocation investment strategy.
- a) Asset allocation in simple terms is not putting all your eggs in one basket. In investment terms, it is holding a portfolio that is diversified among low/differing-correlated asset classes, such as stocks, bonds and cash. It is followed as academic studies have shown that the percentage weighting among asset classes to be the most important determinant of long-term investment performance relative to risk.

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Answer

- b) Following an “active” asset allocation strategy means that the asset mix will be adjusted in response to changing economic and market conditions. This approach contrasts with a “passive” asset allocation approach, where the asset mix does not change once the type and percentages of assets have been set or a timer strategy with frequent moves into or out of equities.
- c) Asset allocation is strategy for those who have the ability and intent to invest for the long-term (five or more years). Even over longer periods, losses may be incurred due to cyclical market corrections. For shorter term investing (less than five years) the risk of a decline in value of the assets is significant, and accordingly a more conservative and different investment strategy will be followed for those investors.
- d) Each client will be assigned a target or model portfolio against which the actual asset mix (and investment performance) is compared. The model will be assigned from one of three possible models based on the client’s investment time horizon and risk tolerance. The three choices are named: Growth, Moderate Growth and Conservative Growth.
- e) Asset allocation also provides a systematic and disciplined approach to investing. This enables the client to sort through the many investment alternatives in a logical and meaningful way.
- f) Actual returns are dependent on current stock and bond market conditions which may differ significantly from historical averages.
- g) Asset allocation works to reduce risk but it cannot eliminate the possibility that your accounts’ value may decline and stay below cost.

5. Education and Business Standards
Standards

The general standards of education or business experience that applicants require of those involved in determining or giving investment advice are:

- i.) Significant experience in Financial Services industry (greater than 10 years)
- ii.) Employee must have CPA, CFA or CFP designation, or be working toward such designations

6. Education and Business
Background.

A. Name: Dale Scott Siligmuller

- i.) Date of birth: 01/22/1949.
- ii.) Formal Education: University of Illinois, Bachelor of Science-Accounting 1971, Certified Public Accountant Certificate -1973.
- iii.) Business Background: Siligmuller Financial Management (investment advisor) 1998-current, Zurich Kemper Investments - EVP Operations & Technology, 1994-1998; Kemper Financial Services – SVP & Chief Accountant, 1982-1994; Kemper Investors Life Insurance – SVP & Treasurer, 1978 to 1992; KPMG Public Accountant – Audit Manager, 1971-1978

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Answer _____

- B. Name: Steve Norvid
i.) Date of birth: 08/12/1965.
ii.) Formal Education: Iowa State University, Bachelor of Business Administration - Finance, Minor in Mathematics -1988
iii.) Business Background: Siligmuller Financial Management (investment advisor) 2008 – current; Calamos Investments - VP Business and Product Development, 2000-2008; Van Kampen Investments – VP, Product Development, 1992-2000; Accenture (Formerly Andersen Consulting) – Senior Consultant/Consultant, 1988-1992

9. Participation or Interest in
Client Transactions.

- E. Advisor buys or sells for itself securities that it also recommends to clients. Ownership of securities by Advisor will generally be limited to investment company shares (mutual funds), corporate bonds, exchange traded securities with a market capitalization of \$1.0 billion or more, and U.S. government bonds. For exchange traded securities, the client will be informed in writing of the applicant's ownership of any such security with a market capitalization of less than \$1.0 billion when recommended.

Code of Ethics:

A Code of Ethics (Code) applies to all employees of the Advisor. The Code establishes policies to avoid any conflict of interest, or the appearance of any conflict of interest, between the interests of the Advisor and its advisory clients ("Clients"). The Code establishes standards and procedures for the detection and prevention of activities by which employees of the Advisor having knowledge of the investments and intentions of Clients might take advantage of that knowledge for their own benefit. In any situation where the potential for conflict exists, transactions for Clients must take precedence over any personal transactions. The people subject to the Code owe a duty to Clients to conduct their personal securities transactions in a manner which does not interfere with the Clients portfolio transactions or otherwise take inappropriate advantage of the relationship to the Clients. These standards place some restrictions on personal securities transactions of employees of the Advisor and dictate that certain processes are followed and reporting be employed for monitoring purposes.

Upon request, a copy of the Code of Ethics will be provided to any client or prospective client.

Privacy Statement:

To conduct regular business, the investment adviser may collect non-public personal information about its clients from sources such as:

- Information reported by clients on application or other forms clients provide to the investment adviser.
- Information about clients' transactions with the investment adviser and its affiliates or others.

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· Conversations between clients and the firm's representatives.

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Answer _____

The investment adviser will share non-public information solely to service client accounts. The investment adviser will not disclose any non-public personal information about its clients or former clients to anyone, except as permitted by law. If a client decides to close the client's account(s) with the investment adviser or becomes an inactive client, the investment adviser will continue to adhere to its privacy policy and practices with respect to that client as described in this notice.

Trade Errors:

On infrequent occasions a trade error may be made in a client account. For example, a security may be erroneously purchased for a client instead of being sold. In such situations the Advisor will generally cancel and reverse the trade or a correction trade will be made. Any price difference in the trade that is favorable will be awarded to the client while unfavorable differences will be paid for by the Advisor. Any transaction costs caused by correcting the trade will also be paid for by the Advisor.

10. Conditions for Managing
Accounts.

The minimum dollar value of assets for an account is \$500,000. This minimum may be lowered if it is expected that asset may be higher in the near future. The firm will not vote proxies on behalf of clients.

12. Investment or Brokerage
Discretion.

A. Advisor may have the authority, without obtaining specific client consent, to determine the specific securities and the amount to be bought or sold. Client is required to sign and approve a limited power of attorney (LPOA) with the custodian that grants trading authorization.

B. Advisor may recommend the broker or dealer to be used.

Advisor may recommend that clients establish brokerage accounts with the Schwab Institutional® division of Charles Schwab & Co., Inc. (Schwab), a FINRA-registered broker-dealer, member SIPC, to maintain custody of clients' assets and to effect trades for their accounts. Although the Advisor may recommend that clients establish accounts at Schwab, it is the client's decision to custody assets with Schwab. The Advisor is independently owned and operated and not affiliated with Schwab.

Schwab provides the Advisor 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

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Answer _____

million of the advisor's clients' assets are maintained in accounts at Schwab Institutional.

These services are not contingent upon the Advisor committing to Schwab any specific amount of business (assets in custody or trading commissions). Schwab's brokerage services include the execution of securities transactions, custody, research, 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 Advisor client accounts maintained in its custody, Schwab generally does not charge separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Schwab or that settle into Schwab accounts.

The Advisor does not currently utilize brokers other the Schwab, although it may for new clients, or may change broker/platform in the future. Factors used in suggesting brokers to clients include the platform, research made available, and services provided. Clients may pay commissions higher than those obtainable from other brokers in return for those products and services; however reasonableness is reviewed and monitored.

Research provided by Schwab can be used to service all of accounts.

No client transactions were directed to a particular broker in return for product and research services received during the last fiscal year

The factors considered in determining the reasonableness of their commissions include, but are not limited to, execution speed, price improvements, and effective spread (both absolute levels, and relative to industry averages).

13. Additional Compensation.

A. Advisor does have an arrangement with Schwab where it is not paid cash but does receive economic benefit: Schwab Institutional makes available to the Advisor other products and services that benefit the Advisor but may not directly benefit its clients' accounts. Many of these products and services may be used to service all or some substantial number of the Advisor Firm's accounts, including accounts not maintained at Schwab.

Schwab's products and services that assist the Advisor in managing and administering clients' accounts include software and other technology that (i) provide access to client account data (such as trade confirmations and account statements); (ii) facilitate trade execution and allocate aggregated trade orders for multiple client accounts; (iii) provide research, pricing and other market data; (iv) facilitate payment of Advisor's fees from its clients' accounts; and (v) assist with back-office functions, recordkeeping and client reporting.

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Schwab Institutional also offers other services intended to help the Advisor manage and further develop its business enterprise. These services may include: (i) compliance, legal and business consulting; (ii) publications and

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conferences on practice management and business succession; and (iii) access to employee benefits providers, human capital consultants and insurance providers. Schwab may make available, arrange and/or pay third-party vendors for the types of services rendered to the Advisor. Schwab Institutional 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 Advisor. Schwab Institutional may also provide other benefits such as educational events or occasional business entertainment of the Advisor's personnel. In evaluating whether to recommend or require that clients custody their assets at Schwab, the Advisor may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors it considers and not solely the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

B. Applicant generally does not directly or indirectly compensate any person for client referrals, but may send a thank you gift with a value of up to \$100.