Stonehearth Capital Management Wrap Fee Program

Stonehearth Capital Management
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FORM ADV PART 2A Appendix 1
WRAP FEE PROGRAM BROCHURE

This wrap fee program brochure provides information about the qualifications and business practices of Stonehearth Capital Management. If you have any questions about the contents of this brochure, please contact us at (978) 624-3000 or Jamie@stonehearthcapital.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 Stonehearth Capital Management is also available on the SEC's website at www.adviserinfo.sec.gov. Our Firm IARD/CRD number is 128866.

Any references to Stonehearth Capital Management as a registered investment adviser or its related persons as registered advisory representatives does not imply a certain level of skill or training.

Item 2 Summary of Material Changes

This section identifies specific material changes that were made to the Stonehearth Capital Management Wrap Fee Program Brochure since the last annual update and provides you with a summary of such changes.

The Advisor has made the following material changes to our wrap fee program brochure since the last annual updating amendment dated February 2, 2023:

- TD Ameritrade, Inc. has merged with Charles Schwab & Co., Inc. ("Schwab"). All existing TD Ameritrade, Inc. accounts were transferred to Schwab's platform. Please see the *Additional Information* section for information related to the economic benefits we receive from Schwab's platform.
- The Advisor has moved its principal office and place of business to 100 Conifer Hill Drive, Unit 105, Danvers, MA 01923.

A copy of our updated Wrap Fee Program Brochure is available to you free of charge and may be requested by contacting us at (978) 624-3000 or Jamie@stonehearthcapital.com.

Additional information about SCM is also available via the SEC's website www.adviserinfo.sec.gov. The IARD number for SCM is 128866. The SEC's web site also provides information about any persons affiliated with SCM who are registered, or are required to be registered, as Advisory Representatives of SCM.

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Item 4 Services, Fees, and Compensation

Stonehearth Capital Management ("SCM"/"Advisor") is an investment advisory firm that sponsors a wrap fee program and provides portfolio management services under the wrap fee program. Clients electing to participate in a wrap fee program will receive portfolio management services and execution of securities transactions for a single fee.

The Advisor has entered into a relationship to offer the Client brokerage and custodial services through Charles Schwab & Co., Inc. ("Schwab"). There is no affiliation between the Advisor and Schwab. Clients with an account atSchwab may participate in a wrap fee program.

Schwab will act solely as a broker-dealer and not as an investment advisor to clients. They will have no discretion over client accounts and will act solely on instructions they receives from SCM. Schwab has no responsibility for SCM's services and undertakes no duty to clients to monitor SCM's management of client accounts or other services SCM provides to Clients. Schwab will hold your assets in a brokerage account and buy and sell securities and execute other transactions when SCM instructs them to. SCM does not open the account for clients.

Under a wrap fee program, the Client will not pay any ticket charges, American depository receipt fees, asset-based pricing fees, exchange processing fees, foreign transaction taxes, prime broker/trade away fees, short term redemption fees, transaction-based pricing fees, trust reporting fees, alternative investment fees or unlisted foreign ordinary fees on accounts held in custody with Schwab. All such fees and expenses will be borne by the Advisor. Clients participating in our wrap fee program with assets managed by the Advisor but not custodied at Schwab (i.e., outside accounts), will be subject to such fees if assessed.

The Advisor and Advisory Representatives of the Advisor may receive a portion of the wrap fee for providing advisory services.

The Advisor manages four strategies, each of which has its own requirements to qualify for the SCM Wrap Fee Program. The four strategies include:

- Diversified Portfolio
- Diversified CarbonLITE Portfolio
- Diversified ETF-Only Portfolio
- U.S. Stock Portfolio

Wrap Fee Program Qualifications:

- Have $1,000,000 (cash or securities) or more of assets on which the Advisor or its Advisory Representatives receive any form of compensation AND maintain an account at Schwab.

The $1,000,000 of assets can be comprised of accounts held at Schwab along with other financial institutions ("outside accounts") such as mutual fund companies, 529 college savings plan providers, variable annuity companies, retirement plan providers and private and public partnerships. These assets must be managed by the Advisor and the Advisor must receive (or have received) some form of compensation to qualify towards the minimum threshold.

The Advisor will monitor the Client's account values at least quarterly, and maybe more frequently, for continued eligibility in our wrap fee program. Should the Client's account values fall below $800,000, the Client will no longer be eligible to participate in the wrap fee program. This means that the Advisor will no longer pay for ticket charges or account maintenance fees on the Client's accounts held in custody with Schwab. Under certain circumstances, the Advisor may permit exceptions to the qualification requirements for the wrap fee program. Further information on the non-wrap fee investment management program is available in the Stonehearth Capital Management Brochure (Form ADV Part 2A).

The Advisor offers portfolio review and investment management services on a discretionary basis. Discretionary trading authorization permits the Advisory Representative to make buys, sells and exchanges within the account as the Advisory Representative deems appropriate without contacting the Client prior to execution. The Client will need to execute a limited power of attorney granting discretionary trading authorization to Stonehearth Capital Management and the Client's Advisory Representative. The Advisor will manage the account exercising discretionary authority on the securities to be purchased and sold and the timing of such transactions. With the exception of the authorized payment of the Advisor's advisory fees, the Advisor will not have the authorization to withdraw Clients' securities or funds.

Advisory Representatives will gather information on the Client's financial history, goals, objectives and financial concerns and assist the Client in developing an Investment Policy Statement which specifies the Client's investment objectives, goals, and an asset allocation strategy. The Client(s) will establish an account with Schwab and deposit cash, cash equivalents and securities, and engage an Advisory Representative to manage the Account. Based on the Client's investment objectives, risk tolerance and financial situation, the Client's Advisory Representative will provide investment management services on a continuous and ongoing basis consistent with the Client's Investment Policy Statement.

Payment Schedule

The annual fee for the wrap fee program is based on a percentage of assets under management, according to the schedule below. Fees are negotiable under certain circumstances (e.g., friends, family members, and employees of the Advisor) and are subject to change. Fees are not based on a share of capital gains upon or capital appreciation of the funds or any portion of the funds.

Advisory fees will be charged quarterly in advance based on the market value of the account assets as of the close of business on the last day of the preceding quarter.

If the management of an Account commences at any time other than the beginning of a calendar quarter, the initial quarterly fee shall be charged in arrears. The initial quarterly fee will be based on the initial account balance and will be pro-rated based on the number of days during the quarter when the agreement was in effect.

Advisory fees for the wrap fee program are in accordance with the following fee schedule:

Account Size	Annual Fee
First $250,000	**1.25%**
Next $750,000	**1.00%**
Next $2,000,000	**0.75%**
Next $2,000,000	**0.50%**
Ongoing	**0.25%**

The Advisor may change the above fee schedule upon 30-days prior written notice to the Client.

Advisory fees are based on the aggregate value of all managed accounts within the established household. The value of the portfolio will include, but is not limited to, assets under the management of the Advisor held at Schwab, as well as those assets under the Advisor's management held at other financial institutions (outside accounts) such as mutual fund companies, 529 college savings plan providers, variable annuity companies, retirement plans providers and private and public partnerships. Further information on non-wrap fee investment management services is available in the Stonehearth Capital Management Brochure (Form ADV Part 2A).

Depending upon the circumstances, the Advisor may combine Client accounts from one household with Client accounts from other households to aggregate account values for fee calculations. The annual fee may then be based on an aggregate value of all accounts within the combined households.

If the Client participates in a wrap fee program, advisory fees will be deducted directly from the Client's account(s) withSchwab, provided the Client has given the Advisor written authorization. The Client will be provided with an account statement reflecting the deduction of the advisory fee. If the account does not contain sufficient funds to pay advisory fees, the Advisor has limited authority to sell or redeem securities in sufficient amounts to pay advisory fees. The Client may reimburse the account for advisory fees paid to the Advisor, except for ERISA and IRA accounts.

Transactions in the Client's account, account reallocations and rebalancing may trigger a taxable event, with the exception of retirement accounts (e.g., IRA or Roth).

A portion of the wrap fee may be paid to the following parties:

- The Client's Advisory Representative,
- Advisor, and
- Schwab for brokerage and custodial services.

If the wrap fee account is opened with securities previously purchased through the Advisor's Advisory Representative, the Advisory Representative may have already receive commissions on the purchase.

SCM's wrap fee covers SCM's advisory services and the brokerage and execution services provided by Schwab. As a result, SCM has an incentive to execute transactions for your account at Schwab. In addition to SCM's advisory fee, the Client should also be aware that SCM's wrap fee does not cover all fees and costs. The fees not included in the wrap fee include charges imposed directly by a mutual fund, index fund, or exchange traded fund which shall be disclosed in the fund's prospectus (i.e., fund management fees and other fund expenses), mark-ups and mark-downs, spreads paid to market makers, managed account select/managed account access, personal choice retirement account, retirement plan services, stock plan services pricing/fees, sub-linked or block trade master accounts, fixed income trading commissions, fees (such as a commission or markup) for trades executed away from Schwab at another broker-dealer, wire transfer fees and other fees and taxes on brokerage accounts and securities transactions.

The Advisor will utilize exchange traded funds (ETF) and open-ended mutual funds including no-load and load waived. While certain products may pay 12b-1 fees, the Advisor will not receive these fees. Where applicable and for those accounts under its custody, Schwab will retain the 12b-1 fees.

Depending on the level of the wrap program fee being charged to the Client and the amount of portfolio activity in the Client's account, the cost of a wrap fee program may be more or less than if the Client obtained services separately or paid commissions or paid for execution services. A wrap fee account, as compared with a traditional commission-based account or a fee-based account where the Client pays transaction charges, may be more costly to the Client, particularly during periods when trading activity is lower. Therefore, this may result in a higher annual cost than if transactional costs and investment advice were segregated. During periods when trading activity is heavier, such as when the account is first opened, wrap fee accounts may result in lower costs.

Under the wrap fee program, the Advisor will pay transaction and execution charges in an Client's account held at Schwab. As such, there is a disincentive for Advisory Representatives to affect trades in these accounts held at Schwab.

SCM's wrap fee covers SCM's advisory services and the brokerage and execution services provided by Schwab. As a result, we have an incentive to execute transactions for your account at Schwab. Our wrap fee does not cover all fees and costs. The fees not included in the wrap fee include charges imposed directly by a mutual fund, index fund, or exchange traded fund which shall be disclosed in the fund's prospectus (i.e., fund management fees and other fund expenses), mark-ups and mark-downs, spreads paid to market makers, fees (such as a commission or markup) for trades executed away from [Schwab] at another broker-dealer, managed account select/managed account access, personal choice retirement account, retirement plan services, stock plan services pricing/fees, sub-linked or block trade master accounts, fixed income trading commissions, wire transfer fees and other fees and taxes on brokerage accounts and securities transactions.

Compensation received from a wrap fee program may be higher or lower than the compensation received should the Client have selected another advisory program or paid for brokerage and advisory services separately. Therefore, the Client's Advisory Representative may have a financial incentive to recommend the wrap fee program over other programs or services. Such a practice presents a conflict of interest and gives the Advisor and the Advisory Representatives incentive to recommend investment products based on the compensation received rather than the Client's needs.

Termination Schedule
The Client may terminate investment advisory services obtained from the Advisor, without penalty, upon written notice within five (5) business days after entering into the advisory agreement with the Advisor. The Client will be responsible for any fees and charges incurred from third parties as a result of maintaining the account such as transaction fees for any securities transactions executed and account maintenance or custodial fees. Thereafter, the Client may terminate investment advisory services with written notice to the Advisor. Should the Client terminate investment advisory services during the quarter, the Client will be issued a pro-rated refund of the prepaid advisory fee from the date of termination to the end of the three-month billing period.

Item 5 Account Requirements and Types of Investors

The Advisor's services are geared toward individuals and their families including high net worth individuals, trusts, estates, as well as corporations and other business entities.

The Advisor manages four strategies, each of which has its own requirements to qualify for the SCM Wrap Fee Program. The four strategies include:

- Diversified Portfolio
- Diversified CarbonLITE Portfolio
- Diversified ETF-Only Portfolio
- U.S. Stock Portfolio

Wrap Fee Program Qualifications:

- Have $1,000,000 (cash or securities) or more of assets on which the Advisor or its Advisory Representatives receive any form of compensation, AND
- Maintain an account at Schwab.

The $1,000,000 of assets can be comprised of accounts held at Schwab along with other financial institutions ("outside accounts") such as mutual fund companies, 529 college savings plan providers, variable annuity companies, retirement plans providers and private and public partnerships. These assets must be managed by the Advisor and the Advisor must receive (or have received) some form of compensation to qualify towards the minimum threshold.

The Advisor will monitor the Client's account values at least quarterly, and maybe more frequently, for continued eligibility in the Advisor's wrap fee program. Should the Client's account values fall below $800,000, the Client(s) may no longer be eligible to participate in the wrap fee program. This means that the Advisor will no longer pay for ticket charges or account maintenance fees on the Client's accounts held in custody with Schwab. Under certain circumstances, the Advisor may permit exceptions to the account minimum threshold.

Item 6 Portfolio Manager Selection and Evaluation

Selection and Review of Portfolio Managers

The Stonehearth Capital Management wrap fee program is proprietary to the Advisor. The Advisor manages all assets in the Program and does not offer access to other third-party portfolio managers through the Program.

Advisory Services Offered
In addition to offering investment management services through the Wrap Fee Program, the Advisor also offers investment management services through its traditional investment management program, as well as financial planning and retirement planning services. The Advisor will provide investment management services on assets under custody with Schwab, or on assets held at other financial institutions (outside accounts). A description of all programs and services offered by the Advisor is more fully disclosed in the Advisor's Disclosure Brochure.

Under the wrap fee program, the Client will not pay any ticket charges, American depository receipt fees, asset-based pricing fees, exchange processing fees, foreign transaction taxes, prime broker/trade away fees, short term redemption fees, transaction-based pricing fees, trust reporting fees, alternative investment fees or unlisted foreign ordinary fees on accounts held in custody with Schwab. All such fees and expenses will be borne by the Advisor. The Advisor and Advisory Representatives of the Advisor may receive a portion of the wrap fee for providing advisory services.

The Advisor will provide investment management services on the Client's assets held at other financial institutions (outside of Schwab) provided the Advisor is listed on the account with limited trading authorization to allow the Advisor to place trades on the Client's behalf. While the value of these outside accounts may be combined with the value of the Client's Schwab account(s), to qualify for the Advisor's wrap fee program, any fees charged at these other financial institutions will be the Client's responsibility.

Accounts held outside of Schwab (i.e., outside accounts) may not lend themselves to continuous and ongoing management of the assets within the account due to trading restrictions and limitations. In these instances, the Advisor will provide asset allocation and periodic monitoring services. Because of these restrictions, the Advisor tries to utilize products/procedures that do not require rebalancing trades such as: age-based funds, target date funds, asset allocation funds or automatic rebalancing options offered by the outside account custodian.

The Advisor will manage a Client's account based on the individual needs and goals of the Client. The Client may impose restrictions on investing in certain securities or types of securities. The Client's Advisory Representative will gather information on the Client's financial history, goals, objectives, and financial concerns and assist the Client in developing an asset allocation strategy. All information gathered from the Client is confidential.

The Advisor does not charge performance-based fees.

Investment Management Process
The Advisor manages four strategies which include:

- Diversified Portfolio
- Diversified CarbonLITE Portfolio
- Diversified ETF-Only Portfolio
- U.S. Stock Portfolio

Diversified Portfolio:
The Diversified Portfolio is constructed utilizing a variety of different asset categories including stock exposure, bond exposure and alternative (broadly defined as an asset category that does not fit within the definition of stock or bond exposure) exposure.

This Portfolio is available in three different risk profiles:

- Conservative: The primary objective is to minimize losses and to keep volatility to a minimum. The secondary objective is growth of assets.
- Moderate: The primary objective is to equally balance minimizing losses and growing the assets.
- Aggressive: The primary objective is growth of assets. The secondary objective is to minimize losses and to keep volatility to a minimum.

There is no guarantee that the Advisor's expectations will be met within each of the three risk profiles.

Diversified CarbonLITE Portfolio:
The Advisor offers Clients a CarbonLITE portfolio solution ("CarbonLITE"), which is designed to lower the carbon footprint of the equity exposure within the portfolio while maintaining similar asset allocation, risk and expense characteristics as compared to the Diversified Portfolio offering. CarbonLITE is not a traditional "green portfolio" or "socially responsible" portfolio which invest more heavily in certain sectors of the marker (i.e., solar power) or avoid other sectors of the market. CarbonLITE seeks to reduce the portfolio's carbon footprint (based on greenhouse gas emissions of underlying companies in the fund) but not at the expense of altering the portfolios characteristics (i.e., asset allocation, risk, expenses). CarbonLITE does maintain fossil fuel exposure but at lower levels than our Diversified Portfolio offerings. The Advisor expects that if/when the fossil fuel industry experiences strong price fluctuations, the CarbonLITE strategy will see a larger discrepancy in performance when compared to the Diversified Portfolio offering.

This Portfolio is available in three different risk profiles:

- Conservative: The primary objective is to minimize losses and to keep volatility to a

minimum. The secondary objective is growth of assets.
- Moderate: The primary objective is to equally balance minimizing losses and growing the assets.
- Aggressive: The primary objective is growth of assets. The secondary objective is to minimize losses and to keep volatility to a minimum.

There is no guarantee that the Advisor's expectations will be met within each of the three risk profiles.

<u>Diversified ETF-Only Portfolio:</u>
The Advisor offers Clients a Diversified ETF-Only Portfolio ("ETF-Only"). ETF stands for Exchange Traded Fund. The Advisor expects this portfolio offering to have similar asset allocation and risk characteristics when compared to the Diversified Portfolio offering. The Advisor expects this portfolio to have a lower internal expense ratio compared to the Diversified Portfolio offering. Schwab does not charge securities transaction fees for ETFs.

This Portfolio is available in three different risk profiles:

- Conservative: The primary objective is to minimize losses and to keep volatility to a minimum. The secondary objective is growth of assets.
- Moderate: The primary objective is to equally balance minimizing losses and growing the assets.
- Aggressive: The primary objective is growth of assets. The secondary objective is to minimize losses and to keep volatility to a minimum.

There is no guarantee that the Advisor's expectations will be met within each of the three risk profiles.

<u>U.S. Stock Portfolio:</u>
The Advisor ranks stocks on known quantitative factors that the Advisor believes help identify stocks that are good investments over a full market cycle. They are based on academic and real-world research. The Advisor ranks stocks on quality, value, price momentum, & dividend yield. The Advisor then combines the four scores into one "alpha" score to screen the Advisor's universe for stocks to invest in. The Advisor then applies a qualitative analysis to further help the Advisor identify stocks that are an attractive investment. The Advisor's focus is on high quality companies that return cash to shareholders that are inexpensive and are exhibiting positive price momentum based on quantitative factors. This strategy seeks to add value over the S&P 500, a broad market cap-based index. There is no guarantee that this goal will be met.

Method of Analysis and Investment Process
After determining the Client's appropriate risk level, the Advisor will assign the Client to one of the Advisor's asset allocation model portfolios. The Advisor's lower risk level asset allocation models contain a larger percentage of assets that do not correlate with the stock market. The Advisor's higher risk level asset allocation models contain a larger percentage of assets that DO correlate with the stock market. In constructing the portfolios, the Advisor uses Ycharts and Rixtrema software to identify if the risk and growth factors are appropriate for each risk level.

In determining the composition of investments within each model portfolio, the Advisor uses a proprietary investment analysis strategy. The Advisor takes into account the following:

- Experience of the manager and management team
- Competitiveness of the expenses charged for managing the fund
- Performance of the fund during prior market selloffs and rallies
- Compensation for the risk taken within the fund (i.e., high risk, high reward)

- Volatility of the fund
- Consistency of returns by the fund
- Value added by manager vs. buying cheap index fund

The Advisor weigh each of the factors within YCharts software to identify products that the Advisor feels is appropriate to utilize within Client portfolios. The Advisor monitors these products to ensure they are still appropriate to utilize, or to identify if another product would be a better fit.

The Advisor adheres to the following monitoring process:

- At least quarterly the Advisor processes a global rebalancing trade. This global trade looks at each household to ensure their asset categories are within the desired drift range (25% of target exposure, for example 10% target, plus or minus 2.5% drift).
- Monthly cash management screening to ensure Clients who have periodic draws from their accounts to supplement income needs run smoothly
- Quarterly monitoring of fund performance to ensure fund managers are still competitive based on our proprietary screening process
- Ongoing analysis of tax management strategies to help limit tax liabilities for Clients (i.e.,Tax Loss Harvesting).

The Advisor does not represent, warrantee or imply that the services or methods of analysis used by the Advisor can or will predict future results, successfully identify market tops or bottoms, or insulate Clients from losses due to major market corrections or crashes. Past performance is no indication of future performance. No guarantees can be offered that Clients' goals or objectives will be achieved. Further, no promises or assumptions can be made that the advisory services offered by the Advisor will provide a better return than other investment strategies.

As stated above, the Advisor primarily uses ETFs and mutual funds. The risks with these products include the costs and expenses for the product that can impact performance, change of managers, and fund straying from its objective. Open ended mutual funds do not typically have a liquidity issue and the price does not fluctuate throughout the trading day. ETFs can also trade at a premium or discount to their net asset value which can detract from performance.

Investing in securities involves risk of loss, including the potential loss of principal. Therefore, the Client's participation in any of the management programs offered by the Advisor will require the Client to prepare to bear the risk of loss and fluctuating performance.

Item 7 Client Information Provided to Portfolio Managers

The Advisor will gather financial information from the Client such as:

- Social Security or Tax Identification number
- Birth date
- Net worth and annual income
- Information about the Client's personal finances
- Financial information such as bank accounts
- Other investment accounts, balances, statements, account numbers, etc.
- Investment goals and objectives and risk tolerance.

As the portfolio manager, the Client's Advisory Representative will use this information to customize an advisory program based on the Client's specific needs. Should this information change, the Client should notify their Advisory Representative.

Item 8 Client Contact with Portfolio Managers

The Client may contact the Advisor and/or the Client's Advisory Representative at any time. The frequency of Client meetings are based on the value of the assets under management by the Advisor (see Review of Accounts in Item 9 - Additional Information for further details).

Item 9 Additional Information

There is no reportable disciplinary information required for the Advisor or its Advisory Representatives.

Advisory Representatives are licensed with various insurance companies. The insurance business is not a significant business to the Advisory Representatives, and they do not concentrate resources toward the business. However, it is important to know that if Advisory Representatives recommend insurance products and if the Client purchases insurance products through them, they will earn commissions. This represents a conflict of interest in that the Advisory Representative recommends the insurance product and compensation is received by the Advisory Representative.

While Advisory Representatives endeavor at all times to put the interests of the Client first as part of the Advisor's fiduciary duty, Clients should be aware that the receipt of additional compensation itself creates a conflict of interest and may affect the judgment of Advisory Representatives when making recommendations.

The Advisor attempts to mitigate the conflict of interest with the potential receipt of commission by disclosing this conflict to the Client and by informing the Client that they are under no obligation to purchase insurance products or services through the Advisor's Advisory Representatives. The Client may implement recommendations through other insurance agents.

Code of Ethics

The Advisor has a fiduciary duty to the Client to act in the Client's best interest and always place the Client's interests first and foremost. The Advisor takes seriously its compliance and regulatory obligations and requires all staff to comply with such rules and regulations as well as the Advisor's policies and procedures. Further, the Advisor strives to handle Clients' non-public information in such a way to protect information from falling into hands that have no business or reason to know such information and provides the Client with the Advisor's Privacy Policy. As such, the Advisor maintains a code of ethics for its Advisory Representatives, supervised persons, and staff. The Code of Ethics contains provisions for standards of business conduct in order to comply with federal securities laws, personal securities reporting requirements, pre-approval procedures for certain transactions, code violations reporting requirements, and safeguarding of material non-public information about the Client's transactions. Further, the Advisor's Code of Ethics establishes the Advisor's expectation for business conduct. A copy of the Advisor's Code of Ethics will be provided to the Client upon request.

The Advisor and its associated persons may buy or sell securities identical to those securities recommended to the Client. Therefore, the Advisor and/or its associated persons may have an interest or position in certain securities that are also recommended and bought or sold to Clients. The Advisor and its associated persons will not put their interests before the Clients' interest. The Advisor and its associated persons may not trade ahead of the Client or trade in such a way to obtain a better price for themselves than for Clients.

The Advisor is required to maintain a list of all securities holdings for its associated persons and develop procedures to supervise the trading activities of associated persons who have knowledge of Clients' transactions and their related family accounts at least quarterly. Further, associated persons are prohibited from trading on non-public information or sharing such information.

The Client has the right to decline any investment recommendation. The Advisor and its associated persons are required to conduct their securities and investment advisory business in accordance with all applicable Federal and State securities regulations.

The wrap fee program may present conflicts of interest. Some products are offered on Schwab's platform with no or lower ticket charges, while others require higher ticket charges. Since the Advisor covers ticket charges for qualifying Clients, the Advisor may be influenced by this fee when selecting products.

Review of Accounts
The Advisor will meet with Clients at least annually to review and discuss their account(s).

The Client may request more frequent meetings based on the Client's specific needs.

The Client must notify the Advisor promptly of any changes to the Client's financial goals, objectives or financial situation. The Client's Advisory Representative will review the portfolio allocation and determine recommendations for changes.

The Advisor will provide the Client with a written or electronic quarterly report which includes performance, current holdings, current asset allocation and an invoice for the Advisor's management fee. The invoice will specify the advisory fee, the value of the account and the period rate upon which the fee was calculated.

The Client will also receive monthly or quarterly statements directly from the account custodian. Additionally, the custodian will provide the Client with trade confirmations of all transactions occurring in the Client's account.

Client Referrals and Other Compensation
Product vendors recommended by the Advisor may provide monetary and non-monetary assistance with Client events and provide educational tools and resources. The Advisor does not select products as a result of any monetary or non-monetary assistance. The selection of product is first and foremost. The Advisor's due diligence of a product does not take into consideration any assistance it may receive. Therefore, this is not considered a conflict of interest but a benefit for the Client and the Advisor.

As mentioned in Item 4, the Advisor has entered into a relationship to offer the Client brokerage and custodial services through Schwab. The advisor receives an economic benefit from Schwab in the form of the support products and services made available to the Advisor and other independent investment advisers who's Clients maintain their accounts at Schwab. These products and services, how they benefit the Advisor, and the related conflicts of interest are described below. The availability to the Advisor of Schwab's products and services is not based on the Advisor giving particular investment advice, such as buying particular securities for the Advisor's Clients.

In order to obtain the wrap fee investment management services from the Advisor, the Client will need to maintain an account with Schwab. If the Client selects another brokerage firm for custodial and/or brokerage services, the Client will not be able to receive the wrap fee investment management services from the Advisor. This practice may prevent the Advisor from achieving the most favorable execution of Client transactions and may cost the Client more money.

Charles Schwab & Co., Inc - Institutional
We receive an economic benefit from Schwab in the form of the support products and services it makes available to us and other independent investment advisors whose clients maintain their accounts at Schwab. You do not pay more for assets maintained at Schwab as a result of these arrangements. However, we benefit from the referral arrangement because the cost of these services would otherwise be borne directly by us. You should consider these conflicts of interest when selecting a custodian. The products and services provided by Schwab, how they benefit us, and the related conflicts of interest are described in Item 12 of SCM's disclosure brochure.

The Advisor has entered into contractual arrangements with certain individual(s), including employees of the Advisor. The solicitor will refer Clients who may be a candidate for the Advisor's investment advisory services. In return, the Advisor will agree to compensate the solicitor for the referral. Compensation to the solicitor is dependent upon the Client entering into an advisory agreement with the Advisor for advisory services. The solicitor will be compensated by a percentage of the Advisor's advisory fee, or a flat fee as agreed upon between the Advisor and the solicitor. Clients will not be charged additional fees based on this compensation arrangement. Incentive based compensation is contingent upon clients entering into an advisory agreement with the Advisor. Therefore, the individual has a financial incentive to recommend the Advisor to you for advisory services. This creates a conflict of interest; however, you are not obligated to retain the Advisor for advisory services. Comparable services and/or lower fees may be available through other firms.

Financial Information
The Advisor will not require the Client to prepay more than $1,200 and six or more months in advance of receiving the advisory service.

The Advisor is financially stable. There is no financial condition that is likely to impair the Advisor's ability to meet the Advisor's contract actual commitment to the Client or any other Client.

The Advisor has not been the subject of a bankruptcy petition.

Item 10 Requirements for State-Registered Advisers

This section is not applicable to SCM. SCM is not state registered. SCM is registered with the Securities and Exchange Commission.