Pathworks Financial, Inc.

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FORM ADV PART 2A
DISCLOSURE BROCHURE

This disclosure brochure provides clients with information about the qualifications and business practices of Pathworks Financial, Inc., a registered investment adviser. It also describes the services Pathworks Financial, Inc. provides as well as background information on those individuals who provide investment advisory services on behalf of Pathworks Financial, Inc. Please contact Pathworks Financial, Inc. at (248) 946-4515 if you have any questions about the contents of this disclosure brochure.

The information in this disclosure brochure has not been approved or verified by the U.S. Securities and Exchange Commission or any state securities authority. Registration does not imply that Pathworks Financial, Inc. or any individual providing investment advisory services on behalf of Pathworks Financial, Inc. possess a certain level of skill or training.

Information on the disciplinary history and the registration of Pathworks Financial, Inc. and its associated persons is available on the Internet at www.adviserinfo.sec.gov/IAPD/. You can search this site by a unique identifying number, known as a CRD number. The CRD number for Pathworks Financial, Inc. is 138393.

Item 2 – Material Changes

This item discusses specific material changes to the Pathworks Financial, Inc. disclosure brochure. Pursuant to current regulations, Pathworks Financial, Inc. will ensure that clients receive a summary of any material changes to this and subsequent disclosure brochures within 120 days of the close of its fiscal year which occurs at the end of the calendar year. Pathworks Financial, Inc. may further provide other ongoing disclosure information about material changes as necessary.

Pathworks Financial, Inc. will also provide clients with a new disclosure brochure as necessary based on changes or new information, at any time, without charge.

Pathworks Financial, Inc. has made the following material change to this disclosure brochure since the date of its last annual amendment filing (February 27, 2023):

Item 12 – Brokerage Practices

As the result of Charles Schwab & Co., Inc.'s acquisition of TD Ameritrade, Inc., Pathworks Financial, Inc. now uses Charles Schwab & Co., Inc., a FINRA-registered broker-dealer and Fidelity Institutional Wealth Services, as custodian and broker-dealer for investment management accounts.

Item 3 – Table of Contents

Item 4 - Advisory Business

A. The Company

Pathworks Financial, Inc. ("Pathworks" or the "firm"), a Michigan corporation founded in 2005, has been registered with U.S. Securities and Exchange Commission ("SEC") since March, 2021. Pathworks was registered with the State of Michigan from January 2006 to March, 2021. Prior to January 2023, the firm was known as Scott Smith Financial, Inc.

The principal owner of Pathworks is D. Scott Smith.

B. Advisory Services

Pathworks offers the following services to individuals, including high net worth individuals, pension and profit sharing plans, trusts, small businesses and estates:

Asset Management Program

The Pathworks Asset Management Program is a wrap fee asset allocation program sponsored by Pathworks (the "SAM Wrap Program"). The client retains Pathworks and an Pathworks investment adviser representative ("Adviser Representative") for the purpose of opening an investment advisory account and participating in the SAM Wrap Program. Pathworks will invest participating client assets in one or more diversified asset allocation models primarily consisting of open-end investment companies (commonly referred to as mutual funds) and closed-end investment companies (commonly referred to as exchange-traded funds or ETFs in a broad range of asset classes and market sectors, including domestic stocks, international stocks, global bonds, and alternative investments in exchange for an all-inclusive asset-based wrap fee ("Wrap Fee"). When market circumstances warrant, Pathworks may also invest in other types of securities.

Neither Pathworks nor any of its affiliates serve as investment adviser to any of the investment company products included in portfolio assets. SAM Wrap Program portfolios range from conservative to aggressive. The client's Adviser Representative assists the client in selecting the asset allocation model that best meets the client's needs. Clients' grant Pathworks limited discretionary authority in the management of their SAM Wrap Program portfolios and individual portfolios may or may not represent the overall objectives of the client's total investment assets.

The Adviser Representative will consider the client's financial situation, goals and investment objectives, risk tolerance, time horizon, liquidity needs, and other relevant factors, as described by the client in selecting the client's asset allocation model. Pathworks does not provide tax or legal advice. The client is instructed to seek advice from a tax or legal adviser before making an investment decision. The client should inform his or her Adviser Representative if changes occur in investment objectives or financial situation.

All clients participating in SAM Wrap Program are provided with and urged to review the Pathworks Wrap Fee Program Brochure.

Investment Management Services

Pathworks, through its Adviser Representatives, offers investment management services based on the individual objectives of each specific client portfolio. Pathworks offers clients ongoing investment management services determined through individual investment goals, time horizons, objectives and risk tolerance. Investment strategies, investment selection, assets allocation, portfolio monitoring and the overall investment program will be based on the above factors. Investment management services include, among other things, basic financial planning consisting of giving advice regarding asset allocation and the selection of investments. Pathworks provides investment management on a discretionary basis only. Clients will be required to give Pathworks authority to manage the client's assets in accordance with what Pathworks deems to be in the client's best interest based on the client's investment objectives and guidelines. Clients will retain individual ownership of all securities in their account.

As part of this service, each client portfolio is tailored to their particular investment needs and circumstances. This includes allocating assets based on the client's investment needs and a risk strategy (from conservative to aggressive), which is selected in conjunction with the client and incorporated into the account agreement. The available risk strategies correlate to asset allocation models developed by Pathworks based on target allocations for various asset classes and sub-classes. Pathworks selects investments for the client's account that are consistent with the selected risk strategy and that pass a series of quantitative and qualitative filters. Depending on the specific engagement, the types of securities that the a client's particular Adviser Representative may purchase and sell including, but are not limited to, mutual funds, ETFs, equities, and fixed income securities.

Financial Planning Services

If a client desires to obtain financial planning apart from the basic planning services provided as part of portfolio management services, Pathworks also provides financial planning services as a stand-alone service. Clients will receive a written financial plan, providing the client with a detailed outline designed to achieve their stated financial goals and objectives.

In general the plan will address any or all of the following:

- *Personal*: Family records, budgeting, personal liability, estate information and financial goals.
- *Tax and Cash Flow*: Income tax spending analysis and planning for past and future years.
- *Death and Disability*: Cash needs at death, income needs of surviving dependents, and estate planning.
- *Retirement*: Strategies and investment plans to help client achieve their retirement goals.
- *Investments*: Analysis of investment alternatives and their effect on a client's portfolio.

Information on clients will be gathered by in-depth personal interviews and a review of personal financial information. Gathering data concerning current financial status, future requirements, risk appetite and goals is essential. Based upon this thorough review, a written plan is prepared for the client and it is recommended that the client review this plan with tax accountants, attorneys and other professional service providers.

Should a client choose to implement the financial planning recommendations made by Pathworks, Pathworks may recommend its own services or that of other professionals (*i.e.*, attorney, accountant, insurance agent, and/or stockbroker). Clients are advised that a conflict of interest exists if Pathworks recommends its own services. The client is under no obligation to act upon any of the recommendations made by Pathworks under a financial planning engagement and/or engage the services of any such recommended professional, including Pathworks or its Adviser Representatives. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation made by Pathworks or its Adviser Representatives. Pathworks shall cooperate with any attorney, accountant, broker or other adviser chosen by the client with regard to implementation of any such recommendations.

Retirement Plan Services

Pathworks-RP provides both fiduciary and non-fiduciary services as a consultant to plan sponsors, named fiduciaries, plan trustees, and plan committees relative to employee benefit plans, including, but not limited to, 401(k) plans, 403(B) plans, defined benefit plans, profit-sharing plans, money purchase pension plans and similar plans offered by sponsoring entities to their employees (the "Plan"). In providing services to a plan and/or its participants, Pathworks acts as a non-discretionary fiduciary of the Plan as defined in Section 3(21) under ERISA.

As part of these services, Pathworks will typically advise the plan fiduciaries on matters related to the Plan. These consulting services, some of which are discussed below, may be provided separately or in combination with one another, and may involve the coordination of multiple vendors and/or third party advisors to the Plan, depending on the needs of the sponsor. The specific details of any engagement to provide consulting services are agreed upon in writing prior to commencement of the engagement and are subject to the terms of the written investment consulting and advisory agreement. Pathworks may consult on a variety of Plan matters, including, but not limited to:

- Plan governance issues, policies and procedures, board resolutions and the development or review of an Investment Policy Statement.
- Plan service provider reviews, evaluations and searches.
- Investment options: searches, recommendations, monitoring and review
- Employee education by providing general information on the funds available under the plan and other general investment information aimed at helping participants make better choices for themselves from among the alternatives available under the plan.
- Fee benchmarking;
- Fiduciary file development and record keeping.

Pathworks may also provide other information aimed at assisting Plan sponsors or trustees in fulfilling their obligations to the plan. For example: information on pending or recent legislative changes that may impact the Plan, Plan participants and beneficiaries.

Strategic Cash Management

The Strategic Cash Management service is designed to provide businesses and individuals with a greater return on their cash reserves through an actively managed strategy that uses, either independently or in combination, treasuries, corporate bonds, corporate notes, certificates of deposit and money market funds.

C. Client Tailored Services and Client Imposed Restrictions

Pathworks' investment management services are tailored to meet the specific needs of each client. In order to provide appropriately individualized services, Pathworks' Adviser Representatives will work with the client to obtain information regarding the client's financial circumstances, investment objectives, overall financial condition, income and tax status, personal and business assets, risk profile and other information regarding the client's financial and investment needs.

At least annually, an Adviser Representative will review with clients their financial circumstances, investment objectives and risk profile. In order for Pathworks to provide effective investment advisory services, it is critical that clients provide accurate and complete information to Pathworks and inform Pathworks anytime such information needs to be updated or anytime there is a change in their financial circumstances, investment objectives and/or risk profile.

Generally, clients are permitted to impose reasonable restrictions on investing in certain securities or types of securities in their advisory accounts, provided, however, that some restrictions may not be accommodated when utilizing Exchange Traded Funds, mutual funds or with respect to certain third-party investment managers. In addition, a restriction request may not be honored if it is fundamentally inconsistent with Pathworks' investment philosophy, runs counter to the client's stated investment objectives, or would prevent Pathworks from properly servicing client accounts.

D. Wrap Fee Programs

As detailed in the section above and in Pathworks' Wrap Fee Program Brochure, Pathworks offers the SAM Wrap Program. Clients in the SAM Wrap Program pay a single annualized fee, based upon a percentage of the market value of all SAM Wrap Program assets, for participation in the SAM Wrap Program. The SAM Wrap Program may cost clients more or less than purchasing such services separately. The wrap fee includes the Pathworks management fee, trading costs, and annual custodial fees if any. Transaction fees relating to the execution of securities transactions within the client's account are paid by Pathworks.

Clients that participate in the SAM Wrap Program will be given the Pathworks Wrap Fee Brochure as part of their initial meeting with Pathworks if the Adviser Representative determines that the SAM Wrap Program is the best fit for their needs.

E. Assets Under Management

As of December 31, 203, Pathworks has the following assets under management:

Total Assets Under Management	Discretionary Assets	Non-Discretionary Assets
$144,412,352.00	$122,353,720.00	$22,058,632.00

Item 5 - Fees And Compensation

A. Advisory Fees

Asset Management Program Fees

For its services provided pursuant to the SAM Wrap Program, Pathworks receives a wrap fee based on the value of assets under management (the "Wrap Fee"). The amount of the fee will be set out in the specific client agreement executed by the client at the time the relationship is established.

The Wrap Fee is set according to the following tiered fee schedule:

For the Portion of the Account that is:	Annual Fee
Up to $250,000	1.5%
$251,000 to $500,000	1.25%
$500,001 to $1,000,000	1.00%
$1,000,001 to $3,000,000	0.75%
Above $3,000,000	Negotiable

The Wrap Fee is based on the average quarterly account balance managed during the calendar quarter. Quarterly Wrap Fees deducted from the clients' account by the custodian will be outlined in Pathworks' fee invoice as fees are withdrawn. The first payment is calculated based on the number of days assets are placed in the account during a calendar quarter. Generally, Wrap Fees are deducted from the client's account no later than the fifteenth (15th) day after the end of each quarter, in arrears. If an account is terminated prior to the end of a calendar quarter, the terminating client will pay the Wrap Fees up to the termination date. Clients who cancel services within five business days of the contract date will not be charged the Wrap Fee.

Investment Management Fees

For its investment management services, Pathworks receives a management fee typically based on the value of assets under management (the "Management Fee"). The amount of the Management Fee will be set out in the specific client agreement executed by the client at the time the relationship is established. The Management Fee is set according to the following tiered fee schedule:

For the Portion of the Account that is:	Annual Fee
$0 to $250,000	1.6%
$251,000 to $500,000	1.5%
$500,001 to $1,000,000	1.00%

For the Portion of the Account that is:	Annual Fee
$1,000,001 to $3,000,000	0.75%
Above $3,000,000	Negotiable

Management Fees is based on the average quarterly account balance managed during the calendar quarter. Quarterly Management Fees deducted from the clients' account by the custodian will be outlined in Pathworks' fee invoice as fees are withdrawn. The first payment is calculated based on the number of days assets are placed in the account during a calendar quarter. Generally, Management Fees are deducted from the client's account no later than the fifteenth (15th) day after the end of each quarter, in arrears. If an account is terminated prior to the end of a calendar quarter the terminating client will pay Management Fees up to the termination date. Clients who cancel services within five business days of the contract date will not be charged the Management Fee.

Pathworks Financial Planning Services Fees

Depending upon the scope of the engagement and specific requests by the client, Pathworks will charge a flat fee ranging from $795 to $2,500 (the "Financial Planning Fee"). The Financial Planning Fee will be negotiated prior to contracting with the client, and the agreed upon Financial Planning Fee payable upon completion of the services provided. The client may terminate its financial planning arrangement at any time, in writing, and will only be charged a portion of the Financial Planning Fee based upon a pro-rated calculation related to the time and expense expended by Pathworks. Pathworks typically waives any financial planning fees for investment management and advisory clients. Clients who cancel services within five business days of the contract date will not be charged the Financial Planning Fee. The Financial Planning Fee is payable by check only.

Pathworks Retirement Plan Services Fees

For its Retirement Plan Services, Pathworks is paid a fee based on a percentage of assets in the plan the "Retirement Plan Fee"), in accordance with the following tiered fee schedule:

For the Portion of the Account that is:	Annual Fee
$0 to $250,000	1.25%
$251,000 to $500,000	0.95%
$500,001 to $1,000,000	0.75%
$1,000,001 to $3,000,000	0.55%
Above $3,000,000	0.50%

The annual Retirement Plan Fee is set each year based on the market value of the Plan assets on December 1st of the preceding year. Notification of the current year's annual Retirement Plan Fee will be communicated to the trustee in writing by December 31st of the previous year. The Retirement Plan Fee is payable in arrears based on the average quarterly account balance managed during the calendar quarter. The Retirement Plan Fee is billed quarterly and deducted from the client's account by the custodian and are outlined in Pathworks' fee invoice. The first payment is calculated based on the number of days assets are placed in the account during a calendar quarter. Generally, the Retirement Plan Fee is deducted from the client's accounts no later than the fifteenth (15th) day after the end of each quarter, in arrears. If an account is terminated prior to the end of a calendar quarter the terminating client will pay the Retirement Plan Fee up to the termination date. Clients who cancel services within five business days of the contract date will not be charged the Retirement Plan Fee.

Strategic Cash Management

The fee for Strategic Cash Management service is 0.65% of the cash under management. The Strategic Cash Management fee is payable in arrears based on the average quarterly account balance managed during the calendar quarter.

B. Payment Method

Direct Debiting

Each quarter, Pathworks will notify the client's qualified custodian of the amount of the fee due and payable to Pathworks pursuant to the applicable Pathworks' fee schedule and advisory agreement. The qualified custodian will not validate or check Pathworks' fees, its corresponding calculation or the assets on which the fee is based unless the client has retained their services to do so. With the client's pre-approval, the qualified custodian will "deduct" the fee from the client's account or, if the client has more than one account, from the account(s) the client has designated to pay Pathworks' advisory fees.

Each month, the client will receive a statement directly from the qualified custodian showing all transactions, positions and credits/debits into or from the client's account. Statements sent after quarter end will also reflect the advisory fee paid by the client to Pathworks.

Billing

Clients will be billed for the financial planning services fee upon conclusion of the service. All fees are due and payable upon receipt of the invoice or as negotiated and documented in the client's advisory agreement.

C. Additional Information

Fee Only

Pathworks is compensated solely by fees paid by its clients and does not accept commissions or compensation from any other source (i.e., mutual funds, insurance products or any other investment product).

Legacy Clients

Certain legal clients of Pathworks may be provided with non-discretionary investment management services. As of January 1, 2021, Pathworks no longer offers investment management services on a non-discretionary basis.

Fees Negotiable

Pathworks does not normally consider its fee to be negotiable for accounts of $5 million or less, provided, however, that Pathworks reserves the right in its sole discretion and based on factors Pathworks deems relevant, to agree to a fee for any particular client that varies from the fee set forth in the tables above and which may be lower or higher than fees charged to another client with a similar sized account. In certain situations, minimum account fees may apply that may exceed the fees in the schedule above. Relevant factors that may lead to a variation in fees include, for example, the size and scope of the client's overall relationship with Pathworks and the fees that the client's account was charged at another firm prior to transferring to Pathworks.

Mutual Fund Fees and Exchange Traded Funds

All fees paid to Pathworks for investment advisory services are separate and distinct from the expenses charged by mutual funds and exchange-traded funds ("ETFs") to their shareholders, if applicable. These fees and expenses are described in each fund's or ETF's prospectus. These fees and expenses will generally be used to pay management fees for the funds, other fund expenses, account administration (e.g., custody, brokerage and account reporting), and a possible distribution fee. A client could invest in these products directly, without the services of Pathworks, but would not receive the services provided by Pathworks which are designed, among other things, to (i) assist the client in determining which products or services are most appropriate to each client's financial situation and objectives and (ii) determining when such buying or selling is appropriate. Accordingly, the client should review both the fees charged by the fund[s] and/or ETFs and the fees charged by Pathworks to fully understand the total amount of fees to be paid by the client.

Miscellaneous Expenses

Pathworks' fees with respect to each client account does not include certain other charges and expenses, including (a) brokerage charges, which are paid on a transactional basis, (b) dealer mark-ups or mark-downs on securities purchased or sold for an account through third-party dealers and (c) taxes. Please see Item 12 of this brochure for detailed information about Pathworks' brokerage practices.

Professional Fees

Pathworks' fees do not include the services of any professional engaged by a client, which will be billed directly by such professional(s).

D. Termination and Refunds

A client has the right to terminate their investment advisory relationship with Pathworks without penalty within five (5) business days after entering into an agreement with Pathworks. In addition, a client has the right to cancel their advisory agreement at any time and for any reason upon written notice to Pathworks. If an account is terminated during a calendar quarter, fees will be adjusted *pro rata* based upon the number of calendar days in the calendar quarter that the investment management agreement was effective. Because fees are charged in arrears, the client will not be due a refund.

E. Additional Compensation

Pathworks and its associates are engaged for fee-only services and an effort is made to recommend "no-load" investments whenever possible. Pathworks does not accept commissions or compensation from any other source (*e.g.*, mutual funds or any other investment product) and does not charge a mark-up on clients' securities transactions. Neither Pathworks nor its associated persons receive "trailer" or 12b-1 fees from an investment company that the firm recommends. Fees charged by issuers are detailed in prospectuses or product descriptions and clients are encouraged to read these documents before investing.

Certain persons providing investment advice on behalf of Pathworks are also licensed as insurance agents with non-affiliated insurance brokers. These related persons will earn commission-based compensation for selling insurance products, including insurance products they sell to clients. Insurance commissions earned by these related persons are separate and in addition to Pathworks' advisory fees. While these individuals endeavor at all times to put the interest of the clients first as part of their and Pathworks' fiduciary duty, clients should be aware that this practice presents a conflict of interest because individuals providing investment advice on behalf of Pathworks who are also insurance agents have an incentive to recommend insurance products to clients for the purpose of generating commissions, rather than solely based on client needs. Clients always have the option to purchase recommended or similar investments through a service provider of their own choosing.

F. IRA Rollover Considerations

As part of our investment advisory services to you, we may recommend that you withdraw the assets from your employer's retirement plan and roll the assets over to an individual retirement account ("IRA") that we will manage on your behalf. If you elect to roll the assets to an IRA that is subject to our management, we will charge you an asset based fee as set forth in the agreement you executed with our firm. This practice presents a conflict of interest because persons providing investment advice on our behalf have an incentive to recommend a rollover to you for the purpose of generating fee based compensation rather than solely based on your needs. You are under no obligation, contractually or otherwise, to complete the rollover. Moreover, if you do complete the rollover, you are under no obligation to have the assets in an IRA managed by our firm.

Many employers permit former employees to keep their retirement assets in their company plan. Also, current employees can sometimes move assets out of their company plan before they retire or change jobs. In determining whether to complete the rollover to an IRA, and to the extent the following options are available, you should consider the costs and benefits of each.

An employee will typically have four options:

1. Leaving the funds in your employer's (former employer's) plan.
2. Moving the funds to a new employer's retirement plan.
3. Cashing out and taking a taxable distribution from the plan.
4. Rolling the funds into an IRA rollover account.

Each of these options has advantages and disadvantages and before making a change we encourage you to speak with your CPA and/or tax attorney.

If you are considering rolling over your retirement funds to an IRA for us to manage here are a few points to consider before you do so:

1. Determine whether the investment options in your employer's retirement plan address your needs or whether you might want to consider other types of investments.

    a) Employer retirement plans generally have a more limited investment menu than IRAs.

    b) Employer retirement plans may have unique investment options not available to the public such as employer securities, or previously closed funds.

2. Your current plan may have lower fees than our fees.

    a) If you are interested in investing only in mutual funds, you should understand the cost structure of the share classes available in your employer's retirement plan and how the costs of those share classes compare with those available in an IRA.

    b) You should understand the various products and services you might take advantage of at an IRA provider and the potential costs of those products and services.

3. Our strategy may have higher risk than the option(s) provided to you in your plan.

4. Your current plan may also offer financial advice.

5. If you keep your assets titled in a 401k or retirement account, you could potentially delay your required minimum distribution beyond age 70.5.

6. Your 401k may offer more liability protection than a rollover IRA; each state may vary. Generally, federal law protects assets in qualified plans from creditors. Since 2005, IRA assets have been generally protected from creditors in bankruptcies. However, there can be some exceptions to the general rules so you should consult with an attorney if you are concerned about protecting your retirement plan assets from creditors.

7. You may be able to take out a loan on your 401k, but not from an IRA.

8. IRA assets can be accessed any time; however, distributions are subject to ordinary income tax and may also be subject to a 10% early distribution penalty unless they qualify for an exception such as disability, higher education expenses or the purchase of a home.

9. If you own company stock in your plan, you may be able to liquidate those shares at a lower capital gains tax rate.

10. Your plan may allow you to hire us as the manager and keep the assets titled in the plan name.

It is important that you understand the differences between these types of accounts and to decide whether a rollover is best for you.

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

Pathworks does not accept performance-based fees or engage in side-by-side management. Pathworks' fees are calculated as described above in Item 5 - Fees and Compensation - and are not charged on the basis of a share of the capital gains upon, or capital appreciation of, the funds in a client's account.

Item 7 - Types of Clients

A. Clients

Pathworks provides investment advisory services to individuals, including high net worth individuals, pension and profit sharing plans, trusts, small businesses and estates.

B. Engaging the Services of Pathworks

All clients wishing to engage Pathworks for advisory services must enter into the applicable advisory agreement with Pathworks as well as any other document or questionnaire provided by the firm. The advisory agreement describes the services and responsibilities of Pathworks to the client. It also outlines Pathworks' fees in detail. In addition, clients must complete certain broker-dealer/custodial documentation. Upon completion of these documents, Pathworks will be considered engaged by the client.

Clients are responsible for ensuring that Pathworks is informed in a timely manner of changes in investment objectives and risk tolerance.

C. Conditions for Managing Accounts

Pathworks requires new clients have a minimum account size of $25,000 for portfolio management services. Pathworks may, in its sole discretion, accept clients with smaller portfolios based upon certain criteria including anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, and pro bono activities. Pathworks will only accept clients with less than the minimum portfolio size if, in the sole opinion of the firm, the smaller portfolio size will not cause a substantial increase of investment risk beyond the client's identified risk tolerance. Pathworks may aggregate the portfolios of family members to meet the minimum portfolio size.

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

A. Methods of Analysis and Investment Strategies

<u>Methods of Analysis</u>

Pathworks relies on an investment philosophy that is based on the latest academic research such as Modern Portfolio Theory and the Fama-French Three-Factor Model, and the latest discoveries in behavioral finance. Pathworks believes that solid science, backed by decades of academic research, offers one of the smartest approaches to investing.

Modern Portfolio Theory

Modern Portfolio Theory says that it is not enough to look at the expected risk and return of one particular asset class. By investing in more than one asset class, an investor can reap the benefits of diversification, chief among them a reduction in the riskiness of the portfolio. Modern Portfolio Theory quantifies the benefits of diversification, also known as "not putting all of your eggs in one basket."

Fama-French Three-Factor Model

The Fama-French Three-Factor Model is based on research showing that over long periods of time, value stocks outperform growth stocks, and similarly, small cap stocks tend to outperform large cap stocks. Therefore, with analysis of these factors, it becomes easier to evaluate the potential portfolio performance.

The Pathworks investment philosophy is based on the following basic principles:

- Develop highly diversified portfolios that feature a broad range of asset classes and market sectors;
- Use market-based investments, not manager-based investments;
- Hold the investments for long periods of time;
- Periodically reallocate investments as conditions warrant;
- Strategically rebalance as needed.

The SAM Wrap Program is highly diversified, invests primarily in mutual funds and ETFs, and features as many as nineteen (19) asset classes and market sectors. This approach is very effective, but cannot ensure investment success or prevent loss in a declining market. Past performance is no guarantee of future results.

<u>Investment Strategies</u>

Pathworks will use all or some of the following strategies in managing client accounts, provided that such strategies are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance and time horizons, among other considerations:

Long-Term Purchases

Securities are purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.

<u>Types of Investments</u>

Investment advice may be offered on any investments held by a client at the start of the advisory relationship. Recommendations for new investments will typically include domestic equity securities, exchange traded funds, corporate debt securities and mutual funds.

Sources of Information

In conducting its security analysis, Pathworks may obtain and utilize information and data from a wide variety of public sources. Neither Pathworks nor its Advisers Representatives will independently verify or guarantee such information and data. In categorizing the asset classes of investments, Pathworks will rely on prospectuses and information obtained from the issuer, its agents or through publicly available sources. Neither Pathworks nor its Advisers Representatives shall be liable for any misstatement or omission contained in the information from these sources, or any loss, liability, claim, damage or expense, incurred, arising out of, or attributable to such misstatement or omission.

Investing Involves Risk

Investing in securities involves risk of loss that each client should be prepared to bear. The value of a client's investment may be affected by one or more of the following risks, any of which could cause a client's portfolio return, the price of the portfolio's shares or the portfolio's yield to fluctuate:

- *Market Risk*. The value of portfolio assets will fluctuate as the stock or bond market fluctuates. The value of investments may decline, sometimes rapidly and unpredictably, simply because of economic changes or other events that affect large portions of the market.
- *Interest Rate Risk*. Changes in interest rates will affect the value of a portfolio's investments in fixed-income securities. When interest rates rise, the value of investments in fixed-income securities tend to fall and this decrease in value may not be offset by higher income from new investments. Interest rate risk is generally greater for fixed-income securities with longer maturities or durations.
- *Credit Risk*. An issuer or guarantor of a fixed-income security, or the counterparty to a derivatives or other contract, may be unable or unwilling to make timely payments of interest or principal, or to otherwise honor its obligations. The issuer or guarantor may default causing a loss of the full principal amount of a security. The degree of risk for a particular security may be reflected in its credit rating. There is the possibility that the credit rating of a fixed-income security may be downgraded after purchase, which may adversely affect the value of the security. Investments in fixed-income securities with lower ratings tend to have a higher probability that an issuer will default or fail to meet its payment obligations.
- *Allocation Risk*. The allocation of investments among different asset classes may have a significant effect on portfolio value when one of these asset classes is performing more poorly than the others. As investments will be periodically reallocated, there will be transaction costs which may be, over time, significant. In addition, there is a risk that certain asset allocation decisions may not achieve the desired results and, as a result, a client's portfolio may incur significant losses.
- *Foreign (Non-U.S.) Risk*. A portfolio's investments in securities of non-U.S. issuers may involve more risk than those of U.S. issuers. These securities may fluctuate more widely in price and may be less liquid due to adverse market, economic, political, regulatory or other factors.
- *Emerging Markets Risk*. Securities of companies in emerging markets may be more volatile than those of companies in developed markets. By definition, markets, economies and government institutions are generally less developed in emerging

market countries. Investment in securities of companies in emerging markets may entail special risks relating to the potential for social instability and the risks of expropriation, nationalization or confiscation. Investors may also face the imposition of restrictions on foreign investment or the repatriation of capital and a lack of hedging instruments.

- *Currency Risk*. Fluctuations in currency exchange rates may negatively affect the value of a portfolio's investments or reduce its returns.
- *Derivatives Risk*. Certain strategies involve the use of derivatives to create market exposure. Derivatives may be illiquid, difficult to price and leveraged so that small changes may produce disproportionate losses for a client's portfolio and may be subject to counterparty risk to a greater degree than more traditional investments. Because of their complex nature, some derivatives may not perform as intended. As a result, a portfolio may not realize the anticipated benefits from a derivative it holds or it may realize losses. Derivative transactions may create investment leverage, which may increase a portfolio's volatility and may require the portfolio to liquidate portfolio securities when it may not be advantageous to do so.
- *Capitalization Risk*. Investments in small- and mid-capitalization companies may be more volatile than investments in large-capitalization companies. Investments in small-capitalization companies may have additional risks because these companies have limited product lines, markets or financial resources.
- *Liquidity Risk*. Liquidity risk exists when particular investments are difficult to purchase or sell, possibly preventing an investment manager from selling out of such illiquid securities at an advantageous price. Derivatives and securities involving substantial market and credit risk also tend to involve greater liquidity risk.
- *Issuer Specific Risk*. The value of an equity security or debt obligation may decline in response to developments affecting the specific issuer of the security or obligation, even if the overall industry or economy is unaffected. These developments may comprise a variety of factors, including, but not limited to, management issues or other corporate disruption, political factors adversely affecting governmental issuers, a decline in revenues or profitability, an increase in costs, or an adverse effect on the issuer's competitive position.
- *Concentrated Portfolios Risk*. Certain investment strategies focus on particular asset classes, countries, regions, industries, sectors or types of investments. Concentrated portfolios are an aggressive and highly volatile approach to trading and investing. Concentrated portfolios hold fewer different stocks than a diversified portfolio and are much more likely to experience sudden dramatic prices swings. In addition, the rise or drop in price of any given holding is likely to have a larger impact on portfolio performance than a more broadly diversified portfolio.
- *Legal or Legislative Risk*. Legislative changes or court rulings may impact the value of investments or the securities' claim on the issuer's assets and finances.

B. Risks Associated with Investment Strategies and Methods of Analysis

Risks Associated with Investment Strategies

<u>Long-Term Purchases</u>

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 your particular investments will decrease in value even if the overall financial markets advance. Purchasing investments long-term may create an opportunity cost (e.g., "locking-up" assets that may be better utilized in the short-term in other investments).

Risk Associated with Methods of Analysis

The analysis of securities requires subjective assessments and decision-making by experienced investment professionals, however, there is always the risk of an error in judgment.

Pathworks' securities analysis methods rely on the assumption that the companies whose securities the firm purchases and sells, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While Pathworks is alert to indications that data may be incorrect, there is always the risk that Pathworks' analysis may be compromised by inaccurate or misleading information.

Modern Portfolio Theory

The primary inherent risk in using the Modern Portfolio Theory is the fact that theory is built on the assumption that over time, historic relationships between investments remain relatively consistent. If a fundamental shift in relationships among the various asset classes/sectors should occur, historical data will no longer accurately represent what can be expected going forward. More volatility can occur if these relationships prove to be incorrect or (for a time) are inconsistent. If asset class relationships do shift, short-term greater than anticipated declines in the value of portfolios can be seen - which can at times be dramatic. As a result, the Modern Portfolio Theory investment philosophy is best suited for investors who desire a buy and hold strategy for a substantial portion of their funds with a long-term investment time horizon.

C. Risks Associated with Specific Securities Utilized

<u>Common Stocks</u>

The major risks associated with investing in common stocks relate to the issuer's capitalization, quality of the issuer's management, quality and cost of the issuer's services, the issuer's ability to manage costs, efficiencies in the manufacturing or service delivery process, management of litigation risk and the issuer's ability to create shareholder value (i.e., increase the value of the company's stock price).

<u>Fixed-Income Securities</u>

Different forms of fixed-income instruments, such as bonds, money market funds, and certificates of deposit may be affected by various forms of risk, including:

- *Interest Rate Risk*. The risk that the value of the fixed-income holding will decrease because of an increase in interest rates.
- *Liquidity Risk*. The inability to readily buy or sell an investment for a price close to the true underlying value of the asset due to a lack of buyers or sellers. While certain types of fixed-income securities are generally liquid (*e.g.*, corporate bonds), there are risks which may occur such as when an issue trading in any given period does not readily support buys and sells at an efficient price. Conversely, when trading volume

is high, there is also the risk of not being able to purchase a particular issue at the desired price.

- *Credit Risk*. The potential risk that an issuer would be unable to pay scheduled interest or repay principal at maturity, sometimes referred to as "default risk." Credit risk may also occur when an issuer's ability to make payments of principal and interest when due is interrupted. This may result in a negative impact on all forms of debt instruments.
- *Reinvestment Risk*. With declining interest rates, investors may have to reinvest income or principal at a lower rate.
- *Duration Risk*. Duration is a measure of a bond's volatility, expressed in years to be repaid by its internal cash flow (interest payments). Bonds with longer durations carry more risk and have higher price volatility than bonds with shorter durations.

Exchange Traded Funds (ETFs)

An ETF holds a portfolio of securities designed to track a particular market segment or index. 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 indexed-based ETFs and 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.

ETFs are subject to risks similar to those of stocks. Investment returns will fluctuate and are subject to market volatility, so that when shares are sold they may be worth more or less than their original cost. ETF shares are bought and sold at market price (not Net Asset Value) and are not individually redeemed from the fund. There is also the risk that a manager may deviate from the stated investment mandate or strategy of the ETF which could make the holdings less suitable for a client's portfolio. ETFs may also carry additional expenses based on their share of operating expenses and certain brokerage fees, which may result in the potential duplication of certain fees. In addition, while many ETFs are known for their potential tax efficiency and higher "qualified dividend income" (QDI) percentages, there are assets classes within these ETFs or holding periods that may not benefit. Shorter holding periods, as well as commodities and currencies that may be part of an ETF's portfolio, may be considered "non-qualified" under certain tax code provisions.

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 50,000 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.

Mutual Funds - Equity Funds

The major risks associated with investing in equity mutual funds is similar to the risks associated with investing directly in equity securities, including market risk, which is the risk that investment returns will fluctuate and are subject to market volatility, so that an investor's shares, when redeemed or sold, may be worth more or less than their original cost. Other risks include the quality and experience of the portfolio management team and its ability to create fund value by investing in securities that have positive growth, the amount of individual company diversification, the type and amount of industry diversification and the type and amount of sector diversification within specific industries.

In addition, there is the risk that a manager may deviate from the stated investment mandate or strategy of the mutual fund which could make the holdings less suitable for a client's portfolio. Also, mutual funds tend to be tax inefficient and therefore investors may pay capital gains taxes on fund investments while not having yet sold their shares in the fund. Mutual funds may also carry additional expenses based on their share of operating expenses and certain brokerage fees, which may result in the potential duplication of certain fees.

Mutual Funds - Fixed-Income Funds

In addition to the risks associated with investing in equity mutual funds, fixed-income mutual funds also have the same risks as set forth under "Fixed-Income Securities" listed above.

Mutual Funds - Index Funds

Index Funds have the potential to be affected by "tracking error risk" which means a deviation from a stated benchmark index. Since the core of a portfolio may attempt to closely replicate a benchmark, the source of the tracking error (deviation) may come from a "sample index" that may not closely align the benchmark. In addition, while many index mutual funds are known for their potential tax efficiency and higher "qualified dividend income" (QDI) percentages, there are assets classes within these funds or holding periods that may not benefit. Shorter holding periods, as well as commodities and currencies that may be part of a fund's portfolio, may be considered "non-qualified" under certain tax code provisions.

Commercial Paper and Certificates of Deposit

Commercial Paper and Certificates of Deposit are generally considered safe instruments, although they are subject to the level of general interest rates, the credit quality of the issuing bank and the length of maturity. With respect to certificates of deposit, depending on the length of maturity, there can be prepayment penalties if the client needs to convert the certificate of deposit to cash prior to maturity.

Note that there may be other circumstances not described here that could adversely affect a client's investment and prevent their portfolio from reaching its objective.

Item 9 - Disciplinary History

Neither Pathworks nor its management personnel have any reportable disciplinary history.

Item 10 - Other Financial Industry Activities and Affiliations

A. Broker-Dealer Registration and Registered Representatives

Pathworks is not registered, nor does it have an application pending to register, as a broker-dealer. No management person is registered, nor does any management person have an application pending to register, as a registered representative of a broker-dealer.

B. Futures and Commodity Registration

Pathworks is not registered, nor does it have an application pending to register, as a futures commission merchant, commodity pool operator or a commodity trading advisor. No management person is registered, nor does any management person have an application pending to register, as an associated person of a futures commission merchant, commodity pool operator or a commodity trading advisor.

C. Financial Industry Affiliations

Adviser Representatives of Pathworks are also licensed to sell insurance products. From time to time they will offer clients advice or insurance products as part of his financial review. This practice represents a potential conflict of interest because it gives such Adviser Representatives an incentive to recommend products based on the commission amount received. This conflict is mitigated by the fact that clients are not required to purchase any products. Clients also have the option to purchase these products through another insurance agent of their choosing.

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

A. Code of Ethics

Pathworks has adopted a Code of Ethics to prevent violations of the securities laws. The Code of Ethics is predicated on the principle that Pathworks owes a fiduciary duty to its clients. Accordingly, Pathworks expects all firm personnel to act with honesty, integrity and professionalism and to adhere to federal securities laws. All firm personnel are required to adhere to the Code of Ethics. At all times, Pathworks and its personnel must (i) place client interests ahead of the firm's; (ii) engage in personal investing that is in full compliance with the firm's Code of Ethics; and (iii) avoid taking advantage of their position.

Clients and prospective clients may request a copy of the firm's Code of Ethics by contacting Pathworks at (248) 946-4515.

B. Recommendations Involving Material Financial Interests

Pathworks does not recommend to clients securities in which the firm or any related person has a material financial interest.

C. Investing in Same Securities as Clients

From time to time, representatives of Pathworks may buy or sell securities for themselves that they also recommend to clients. This may provide an opportunity for representatives of Pathworks to buy or sell the same securities before or after recommending the same securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest. However, the size of personal trades and the types of investments (ETFs or Open-End Mutual Funds) that are likely to be transacted in would not have a practical impact on prices in those securities. Pathworks will always document any transactions that could be construed as conflicts of interest and will always transact client business before their own when similar securities are being bought or sold.

D. Participation or Interest in Client Transactions

From time to time, representatives of Pathworks may buy or sell securities for themselves at or around the same time as clients. This may provide an opportunity for representatives of Pathworks to buy or sell securities before or after recommending securities to clients resulting in representatives profiting off the recommendations they provide to clients. Such transactions may create a conflict of interest. However, the size of personal trades and the types of investments (ETFs or Open-End Mutual Funds) that are likely to be transacted in would not have a practical impact on prices in those securities. Pathworks will always document any transactions that could be construed as conflicts of interest and will always transact client's transactions before its own when similar securities are being bought or sold. No person associated with Pathworks shall prefer his or her own interest to that of any client.

Item 12 - Brokerage Practices

A. Brokerage Selection

Clients who establish an account with Pathworks must consent to a clearing/custodial relationship with Fidelity Institutional Wealth Services, ("Fidelity"), (as cleared through National Financial Services LLC) or Charles Schwab & Co., Inc.'s ("Schwab") to execute and clear transactions and provide custody services. Both firms are members of FINRA/SIPC.

Best Execution

Best execution has been defined as the "execution of securities transactions for clients in such a manner that the client's total cost or proceeds in each transaction is the most favorable under the circumstances." The best execution responsibility applies to the circumstances of each particular transaction and an investment adviser must consider the full range and quality of a broker-dealer's services, including, among other things, execution capability, commission rates, the value of any research, financial responsibility and responsiveness.

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 broker-dealer's services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. Consistent with the foregoing, while Pathworks will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client transactions.

Broker Analysis

Pathworks evaluates a wide range of criteria in seeking the most favorable price and market for the execution of transactions. These include the broker-dealer's trading costs, efficiency of execution and error resolution, financial strength and stability, capability, positioning and distribution capabilities, information in regard to the availability of securities, trading patterns, statistical or factual information, opinion pertaining to trading and prior performance in serving Pathworks.

In selecting Fidelity and Schwab, Pathworks evaluated all of the services offered, the quality of those services and the cost indirectly borne by clients to determine if the clearing firm provides overall quality of services for the price. While Pathworks believes that both Fidelity and Schwab offer competitive commission rates, Pathworks does not otherwise seek to obtain the best combination of price and execution with respect to clients' accounts. Pathworks will periodically compare clearing firm services and prices against other broker-dealers qualified to provide comparable services. While another broker-dealer may offer these services at a lower overall cost, Pathworks is not required to move all accounts to that broker-dealer.

Research/Soft Dollar Benefits

Pathworks has no formal soft dollar arrangements and does not use soft dollars to acquire any research services. However, as a user of Fidelity's and Schwab's institutional services, Pathworks receives other products and services that benefit Pathworks, but may not benefit its clients' accounts. Some of these other products and services assist the firm in managing and administering clients' accounts, including:

- Receipt of duplicate client confirmations and bundled duplicate statements;
- Access to a trading desk serving institutional participants exclusively;
- Access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts;
- Ability to have investment advisory fees deducted directly from client account;
- Receipt of compliance publications; and
- Access to mutual funds which generally require significantly higher minimum initial investments or are generally available only to institutional investors.

Fidelity and Schwab also make available to Pathworks other services intended to help Pathworks manage and further develop its business enterprise. These services may include consulting, publications and conferences on practice management, information technology, business succession, regulatory compliance and marketing. In addition, Fidelity and Schwab may make available, arrange and/or pay for these types of services rendered to Pathworks by independent third parties.

Additional benefits received because of Pathworks' use of Fidelity's and Schwab's institutional services may depend upon the amount of transactions directed to, or amount of assets custodied by, Fidelity and/or Schwab. While as a fiduciary Pathworks endeavors to act in its clients' best interests, Pathworks' recommendation that clients maintain their assets in accounts at either Fidelity and/or Schwab may be based in part on the benefit to Pathworks of the availability of some of the foregoing products and services and not solely on the nature, cost or quality of custody and brokerage provided by Fidelity and/or Schwab which may create a conflict of interest.

Directed Brokerage

Company Directed Brokerage

Pathworks does not have the discretionary authority to determine the broker-dealer to be used. As stated above, clients in need of brokerage will have either Fidelity or Schwab recommended to them. While there is no direct linkage between the investment advice given and usage of Fidelity and Schwab, economic benefits are received which would not be received if Pathworks did not give investment advice to clients (please see additional disclosures in the "Research/Soft Dollars Benefits" section directly above). Pathworks does not participate in any transaction fees or commissions paid to the broker dealer or custodian and does not receive any fees or commissions for the opening or maintenance of client accounts at recommended brokers.

Not all investment advisers require their clients to direct brokerage. Pathworks is required to disclose that by directing brokerage, Pathworks may not be able to achieve most favorable execution of client transactions and this practice may cost clients more money.

Client Directed Brokerage

Pathworks does not permit clients to direct brokerage.

B. Trade Aggregation and Allocation

Whenever appropriate and when the price or execution of a security can be impacted favorably by aggregating orders among accounts, Pathworks aggregates transactions on behalf of all client accounts, including accounts of Adviser Representatives and employees. It is Pathworks policy that such transactions will be allocated to all participating client accounts in a fair and equitable manner. There is no preferential treatment given to any account. Transactions may be traded together to ensure best execution and to avoid price differential. There is seldom, if ever, a problem finding sufficient mutual fund shares to purchase for clients' accounts. These shares are purchased from the issuer and sold at the net asset value next determined after an order is received. Shares of mutual funds are sold back to the issuer. Since Pathworks only buys open-end funds, each issuing mutual fund must stand ready to buy the shares back at the share's net asset value as determined after the redemption order is received. Similarly, Pathworks buys and sells highly liquid ETF interests or shares and there is seldom any difficulty finding a sufficient supply of ETFs on the market.

C. Trade Errors

Trade errors are promptly reported to the custodian and will be rectified by the custodian with no adverse financial effect on the client.

Item 13 - Review Of Accounts

A. Periodic Reviews

Account reviews are performed quarterly by each Adviser Representative for their respective client accounts. Financial plans are considered complete when recommendations are delivered to the client. An ongoing review for financial planning clients is done only upon request of the client.

B. Other Reviews

Other conditions that may trigger a review of clients' accounts are changes in the tax laws, new investment information and changes in a client's own situation. Reviews may also be triggered by material market, economic or political events, cash inflow or outflow to/from the portfolio or by changes in client's financial situations (such as retirement, termination of employment, physical move, or inheritance).

C. Regular Reports

<u>Investment Advisory Services</u>

Each client will receive at least monthly from the custodian, a written report that details the client's account including assets held and asset values. Clients will receive, at least quarterly, performance reports directly from Pathworks. The report will include performance and asset allocation information.

Clients are urged to carefully review the account statement sent by Pathworks and to compare the account statement provided by the broker-dealer/custodian with any statements provided by Pathworks.

Financial Planning Services

Financial planning services clients will receive a completed financial plan. Additional reports will not typically be provided unless otherwise contracted for at the inception of the advisory relationship.

Item 14 - Client Referrals And Other Compensation

A. Economic Benefits

Pathworks does not receive any economic benefits such as sales awards or other prizes from any non-client for providing investment advisory services to the firm's clients.

B. Client Referrals

Pathworks may, from to time, retain solicitors to refer clients to the firm. If a client is introduced to Pathworks by either an unaffiliated or an affiliated solicitor, Pathworks will pay that solicitor a referral fee in accordance with the all requirements of the Advisers Act, and any corresponding state securities law requirements. Any such referral fee shall be paid solely from Pathworks' investment management fee, and shall not result in any additional charge to the client. If the client is introduced to Pathworks by an unaffiliated solicitor, the solicitor, at the time of the solicitation, shall disclose the nature of their solicitor relationship, and shall provide each prospective client with a copy of this written disclosure statement, a copy of Pathworks' Form CRS together with a copy of the written disclosure statement from the solicitor to the client disclosing the terms of the solicitation arrangement between Pathworks and the solicitor, including the compensation to be received by the solicitor from Pathworks. Any affiliated solicitor of Pathworks shall disclose the nature of their relationship to prospective clients at the time of the solicitation and will provide all prospective clients with a copy of this written disclosure statement.

Item 15 - Custody

Custody of client assets will be maintained with the independent custodian selected by the client. Pathworks will not have physical custody of any assets in the client's account except as permitted for direct deduction of advisory fees. Clients will be solely responsible for paying all fees or charges of the custodian. Clients will authorize Pathworks to give the custodian instructions for the purchase, sale, conversion, redemption, exchange or retention of any security, cash or cash equivalent or other investment for the client's account.

Clients will receive directly from the custodian at least quarterly a statement showing all transactions occurring in the client's account during the period covered by the account statement, and the funds, securities and other property in the client's account at the end of the period. The account statement will also indicate the amount of advisory fees deducted from your account(s) for each billing period.

Clients are urged to carefully review statements received from the custodian to ensure the accurate reporting of such information.

Item 16 - Investment Discretion

Pathworks requests that it be provided with written authority (*e.g.*, limited power of attorney contained in Pathworks' advisory agreement) to determine the types and amounts of securities that are bought or sold. Pathworks' authority in making investment related decisions may be limited by account guidelines, investment objectives and trading restrictions, as agreed between Pathworks and the client. Any limitations on Pathworks' discretionary authority shall be included in this written authority statement. Clients may change or amend these limitations as required. All such amendments are required to be submitted in writing.

Item 17 - Voting Client Securities

Proxy Voting

Pathworks does not vote proxies on behalf of its clients. Therefore, although Pathworks may provide discretionary investment advisory services relative to client investment assets, it is the client that maintains exclusive responsibility for: (i) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted and (ii) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceeding or other type events pertaining to the client's investment assets. Pathworks and/or the client shall correspondingly instruct each custodian of the assets to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets.

Legal Proceedings

Although Pathworks may have discretion over client accounts, Pathworks will not be responsible for handling client claims in class action lawsuits or similar settlements involving securities owned by the client. Clients will receive the paperwork for such claims directly from their account custodians. Each client should verify with their custodian or other account administrator whether such claims are being made on the client's behalf by the custodian or if the client is expected to file such claims directly.

Item 18 - Financial Information

A. Prepayment of Fees

Because Pathworks does not require or accept prepayment of more than $1,200 in fees six months or more in advance, Pathworks is not required to include a balance sheet with this disclosure brochure.

B. Financial Condition

Pathworks does not have any adverse financial conditions to disclose.

C. Bankruptcy

Pathworks has never been the subject of a bankruptcy petition.

Item 19 – Additional Information

A. Privacy Notice

Pathworks views protecting its clients' private information as a top priority and has instituted policies and procedures to ensure that client information is private and secure. Pathworks does not disclose any nonpublic personal information about its clients or former clients to any nonaffiliated third parties, except as permitted or required by law. In the course of servicing a client's account, Pathworks may share some information with its service providers, such as transfer agents, custodians, broker-dealers, accountants, and lawyers, etc. Pathworks restricts internal access to nonpublic personal information about the client to those persons who need access to that information in order to provide services to the client and to perform administrative functions for Pathworks. As emphasized above, it has always been and will always be Pathworks' policy never to sell information about current or former clients or their accounts to anyone. It is also Pathworks' policy not to share information unless required to process a transaction, at the request of a client, or as required by law. For the full text of the Pathworks' Privacy Policy please contact Pathworks at (248) 946-4515.

B. Requests for Additional Information

Clients may contact Pathworks at (248) 946-4515 to request additional information or to submit a complaint. Written complaints should be sent to Pathworks Financial, Inc., 43155 Main Street, Suite 212, Novi, MI 48375.