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This brochure provides information about the qualifications and business practices of The Cavanaugh Group, Inc. If you have any questions about the contents of this brochure, please contact us at 410-583-0850 and/or jpk@cavanaugh1.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 The Cavanaugh Group, Inc. is also available on the SEC's website at www.adviserinfo.sec.gov.

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1 ADVISORY BUSINESS

Principle Owners

Daniel C. Keith
Jessica P. Keith

The Cavanaugh Group, Inc. commenced business on October 2, 1995. The firm provides investment advisory services to:

Individuals

Qualified Plans
Trust Accounts
Personal Accounts

Institutions

Pension Plans
Profit Sharing Plans
Non-Profit Organizations

The requirement for opening or maintaining an account is \$1,000,000 for an individual account or collectively for multiple accounts.

Our primary focus is utilizing a balanced approach to asset management. We provide a suitable asset allocation through weightings in equities, fixed income and cash. As a result, we are able to satisfy the various needs of the client by providing income from bonds, growth and income from stocks, and liquidity of cash investments.

Our philosophy is based on a conservative, long-term approach to investing. Our goal is to maximize returns, while limiting risk, through proper portfolio diversification. We focus on time, not timing, with a disciplined plan unaffected by the emotionalism generated by the day-to-day fluctuations of the market.

Decisions for structuring a portfolio are based upon the individual needs and objectives of the client. Clients may request restrictions upon securities to which they prefer not to own.

Our only source of income is derived from fees for our investment management services. We not benefit from any transaction related expenses.

We do not participate in any wrap fee programs.

As of December 31, 2011 the firm manages \$262,100,000 in discretionary accounts and \$1,600,000 in non discretionary accounts.

2 **FEES AND COMPENSATION**

The fees charged for service is 1% per annum, payable quarterly in advance. The initial fee is based on the market value of the particular securities placed under our supervision, valued as of the inception of the agreement, and valued thereafter at the end of each calendar quarter. This fee for service is withdrawn directly from the client's account at the brokerage firm. Client's do have the option of being billed for services in lieu of the automatic withdrawal from their brokerage account.

In the event of termination of an account the client will receive a return of the unearned portion of the quarterly fee based upon a proration assuming that the fee is earned equally on each day of the quarter. The fee will be refunded upon written notification from the client that they plan to terminate the account and include the date of termination.

The Cavanaugh Group does not receive any other types of compensation in connection with the purchase or sale of securities. The firm also does not accept performance based fees.

For those clients with a significantly larger amount of assets under management the following fee schedule is offered to them.

Fee Schedule

First \$5 Million	1.00% per annum
Next \$5 Million	.80% per annum
Next \$10 Million	.65% per annum
Over \$20 Million	.35% per annum

Fees are non-negotiable

3 EQUITY SELECTION PROCESS

Investing in securities involves risk of loss that clients should be prepared to bear. However, we try to minimize that risk by investing in companies with a history of consistently outperforming their industry group, while maintaining the highest level of financial accountability. We focus principally on well capitalized, diversified, dividend paying companies. Priority is given to those who consistently increase dividends on an annual or semiannual basis. Emphasis is placed on the company's management structure as it pertains to the goal of enhancing shareholder value. Of particular importance is the amount of financial resources devoted to research and development with the companies we monitor. The valuation process is based on the above criteria as well as the current price of the company common stock in determining whether the opportunity for capital appreciation and increasing income are present in the current market environment.

It is preferable that the various debt ratings associated with our equity holdings are above the industry average. In applying historical financial information, we view the company's financial strength in times of recession and difficult market environments. This may also be applicable to future challenges that every company and economy face.

We acquire companies who offer diversity, not only in their product offering to the consumer, but also in their geographic market position. A global penetration is essential in today's marketplace. We monitor the worlds' economies to determine areas of strength and weakness that are ever present. From this standpoint we determine which industry will most likely prosper in the foreseeable future. Applying the above criteria, we narrow our focus to those companies which are expanding both horizontally and vertically within the established markets.

The benefit of this philosophy over time is a rate of return that is consistent with the goals and objectives of the client. We do not make dramatic changes based on the day-to-day fluctuations in the financial markets. Historically, it is this disciplined philosophy of long-term, constantly monitored investment opportunities that has proven to be reliable and consistent in achieving desirable returns.

4 **FIXED INCOME SELECTION PROCESS**

The present as well as the future income needs of the client are the foundation for which we construct a fixed income portfolio, whether using tax-free or taxable fixed income investments.

In determining the appropriate balance of fixed income holdings within a client's portfolio, we look to short and medium range interest rate forecasts. By analyzing economic statistics, as well as the commodity prices at the consumer and producer levels, we select a coupon rate and decide on the length of the maturity. The majority of our decisions are based on internal economic models.

We assess the creditworthiness of all debt instruments in order to determine the assumed risk to the investor. We utilize significant research of the various ratings agencies including Stand & Poor's, Moody's, and Duff and Phelps. Consequently, one strict standard we impose is the utilization of corporate debt instruments, rate A or better.

In order to maintain the highest standard of fixed income allocation, we principally invest in US Government obligations such as Treasury Bills, Notes and Bonds. By utilizing a staggered maturity, we mitigate the day to day volatility of the interest rate markets.

When utilizing a tax-free fixed income investment, we analyze the creditworthiness of the municipality in which a client resides. We determine an appropriate price and yield, as well as a maturity range. The emphasis on staggering the maturities in municipalities is paramount to best protecting the client against interest rate volatility.

5 **CONFLICTS OF INTEREST**

- **Code of Ethics:** The Cavanaugh Group, Inc. (TCGI) has developed statements of policy to help prevent situations from occurring where the firm or any of its employees actually or seemingly benefit at the expense of a client or fund shareholder. Strict compliance with the provisions of this Code of Ethics will be considered a basic provision of employment with the firm and shall apply to all supervised persons. An employee may be required to surrender to TCGI, or to the party or parties it may designate, any profit realized from a transaction which is deemed by the Compliance Officer to be in violation of any of the provisions in the Code of Ethics.

TCGI has adopted the following Statements of Policy with respect to matters which it has determined could be the source of conflict of interest between the firm or its employees and its clients.

1. Statement of policy with respect to Receipt and Use of Material (non-public) Insider Information. (see below)
2. Statement of Policy on Employee Securities Transactions
(see following page)
3. Statement of Policy on Compensation for Client Solicitations
(see following page)
4. Statement of Policy on Client/Employee Confidentiality
(see following page)
5. Statement of Policy on Initial Public Offerings and Private Placements
(see following page)

All Supervised persons must strictly adhere to all rules set forth in the Code of Ethics and must comply with all federal securities laws.

- **Material (Non-Public) Insider Information:** This rule prohibits any trading for one's own account while in possession of any confidential information. The legislation extends liability to firms or other "controlling persons" who knowingly or recklessly fail to take appropriate measures to prevent the occurrence of insider trading violations. The SEC may impose damages against violators of this act for up to three times the profit gained or loss avoided, up to one million dollars on such controlling persons and may impose jail sentences for up to 10 years.

Section 15 of the Securities and Exchange Act of 1934 has been amended to provide that every registered broker or dealer shall establish, maintain and enforce written policies and procedures reasonably designed to prevent the misuse of information in violation of this title or the rules or regulations there under of material, non-public, information.

Code of Ethics Continued

Each associated person of TCGI is hereby advised that they are prohibited from trading in or acting upon or encouraging any other person to act upon non-public insider information that may come to their attention that could affect the future price of any security.

Trading activities of registered representatives of TCGI will be reviewed to determine if any excessive trading activities are evident which might indicate trading activities which may constitute a violation of the act.

- **Personal Securities Transactions:** On occasion employees of TCGI will purchase the same securities as its clients. TCGI has a strict policy that no employee may purchase or sell a security the same day it is doing so for a client. This eliminates the possibility of the employee receiving a better execution price. Any employee wishing to purchase or sell a security for a personal account must first get approval from the portfolio manager.

Sections 204-2(a)(12) and (13) of the Investment Advisors Act of 1940 require Investment Advisors to maintain personal securities transaction records of all “advisory representatives.” This includes all officers, directors, and employees with access to investment information, and their immediate families. TCGI will maintain records for each transaction in a security. The records must include the following: (a) the name of the security; (b) the amount of the transaction; (c) whether it was a buy or a sale; (d) the price of the security; (e) the name of the broker-dealer or bank; and (f) the date of the transaction. Each transaction must be reported to Jessica Keith no longer than 10 days after the calendar quarter in which it is affected. She will request all copies of personal securities transactions the last day of the quarter to give the employee ample notice to provide such documentation by the 10th day of the month.

- **Compensation for Client Solicitation:** At the present time TCGI will not compensate other firms or individuals in any way for referring clients to the firm.
- **Confidentiality:**
 1. **Internal Operating Procedures and Planning:** Employees should never discuss confidential information with or provide copies of written material concerning the firm’s internal operating procedures or projections for the future to unauthorized persons outside the firm.
- **Initial Public Offerings (IPOs) and Private Placements:** Access persons at TCGI must obtain approval from the CCO or President prior to investing in any IPO or private placement.

BROKERAGE SELECTION/CUSTODY OF ASSETS

The Cavanaugh Group does not have custody of any client's assets. We currently have a relationship with Charles Schwab in which they custody our clients assets. We have chosen to use Charles Schwab for our clients as we have found through research they tend to be the least expensive as well as offer the best transaction and back office services of other brokerage firms. Our client's, however, are welcome to custody their assets at a brokerage firm of their choosing. In that case the client must be aware that we may be unable to achieve most favorable execution of client transactions and this may cost clients more money. We have no incentive for using Charles Schwab, we do not receive client referrals, nor do we receive research or other products or services from them. We also have no soft dollar arrangements.

REVIEW OF ACCOUNTS

Client accounts receive daily downloads from Charles Schwab. These daily downloads are reviewed every morning for accuracy prior to posting to the client's accounts. Research and monitoring of the Stock Market is also a daily review.

Accounts are monitored by the portfolio manager on a monthly basis. A full portfolio review for each client is performed to ascertain the appropriate weighting of securities, fixed income and cash positions. Client portfolios are also reviewed any time there is a fundamental change in the economic forecast.

On a monthly basis the client will receive a brokerage statement directly from Charles Schwab. On a quarterly basis client's will receive an internal portfolio appraisal from The Cavanaugh Group along with a letter describing the past quarter and future outlook. Prior to mailing client appraisals, an asset reconciliation of client's assets is reviewed to be sure our internal records match those of Charles Schwab and that there are no discrepancies in reporting.

CLIENT REFERRALS AND OTHER COMPENSATION

We do not compensate any person for client referrals. We do not receive any other compensation outside of our quarterly investment advisory fees.

INVESTMENT DISCRETION

The Cavanaugh Group accepts discretionary authority as well as non-discretionary authority on client accounts. The type of discretion will be clearly worded in the Investment Advisory Agreement between the client and the firm.

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VOTING CLIENT SECURITIES

We do not vote client securities. Security Proxies are mailed directly to the client. This is stated in their Account Application with Charles Schwab.

