

## THE H GROUP, INC.

3395 Southwest Garden View Avenue  
Portland, OR 97225-3547  
(503) 292-5853  
[www.thehgroup.com](http://www.thehgroup.com)

February 22, 2012

This Brochure provides information about the qualifications and business practices of The H Group, Inc. (“THG”). If you have any questions about the contents of this Brochure, you may contact us at (503) 292-5853 or [info@thehgroup.com](mailto:info@thehgroup.com) to obtain answers and additional information. The H Group, Inc. is a registered investment adviser with the United States Securities and Exchange Commission (“SEC”). Registration of an investment adviser does not imply any level of skill or training. The information in this Brochure has not been approved or verified by the SEC or by any state securities authority.

Additional information about The H Group, Inc. is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for The H Group, Inc. is 106801.

## **Item 2 Material Changes**

The date of our previous annual update to our Brochure was April 4, 2011.

We will ensure that all current clients receive a Summary of Material Changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. A Summary of Material Changes is also included with our Brochure on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The searchable IARD/CRD number for The H Group, Inc. is 106801. The Summary of Material Changes is listed as "Exhibit A" to our Brochure. We may further provide other ongoing disclosure information about material changes as necessary and will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting us at (503) 292-5853 or [info@thehgroup.com](mailto:info@thehgroup.com). Our Brochure is provided free of charge.

**Item 3 Table of Contents**

	<u>Page</u>
Item 1 Cover Page .....	i
Item 2 Material Changes .....	ii
Item 3 Table of Contents .....	iii
Item 4 Advisory Business .....	4
Item 5 Fees and Compensation.....	5
Item 6 Performance-based Fees and Side-by-Side Management.....	7
Item 7 Types of Clients .....	7
Item 8 Methods of Analysis, Investment Strategies and Risk of Loss.....	7
Item 9 Disciplinary Information .....	8
Item 10 Other Financial Industry Activities and Affiliations .....	8
Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading...	10
Item 12 Brokerage Practices.....	11
Item 13 Review of Accounts.....	13
Item 14 Client Referrals and Other Compensation .....	14
Item 15 Custody .....	15
Item 16 Investment Discretion.....	15
Item 17 Voting Client Securities.....	15
Item 18 Financial Information.....	16
Exhibit – A Summary of Material Changes .....	Ex. i

#### **Item 4 Advisory Business**

THG is an SEC registered investment advisory firm located in Portland, Oregon. We provide fee-only investment supervisory, portfolio management, investment consulting and financial planning services. The firm, and its predecessor entity, have been in business since 1991 and the principal owner and President is Christopher K. Hicks. Our investment advisory services are coordinated through our Advisory Affiliates. Our investment approach utilizes broadly diversified portfolios and a systematic strategy to manage client portfolios.

Through our Advisory Affiliates, we help Clients coordinate and prioritize their financial lives with all aspects of their life goals. Integrating investments across all individual retirement accounts, taxable accounts, and employee retirement accounts is crucial to the process. Client input and involvement are critical parts of the financial planning process and implementation of investment decisions. After Client assets are invested, we continuously monitor their investments and provide advice related to ongoing financial and investment needs.

We offer initial financial planning services to Clients under a separate Financial Planning Agreement. After completion of an initial financial planning engagement, Clients may elect to enter into a retainer agreement for ongoing Wealth Management services which include financial planning and portfolio management:

Advice and services are tailored to the stated objectives of the Client(s). Our Advisory Affiliates discuss with the Client critically important information such as the Client's risk tolerance, time horizon, and projected future needs, to formulate an investment strategy. This information and strategy guides us in objectively and suitably managing the Client's account. Our Advisory Affiliates meet with Clients as needed to review portfolio performance, discuss current issues, and re-assess goals and plans.

Our investment recommendations generally include mutual funds, exchange-traded funds, and exchange-listed equity securities. We may also recommend certificates of deposit, municipal securities, U.S. government securities and money market funds when suitable and appropriate for a Client's particular situation. If Clients hold other types of investments, we will advise them on those investments also. Clients may impose restrictions on investing in certain securities or types of securities. We consider such restrictions when formulating the Client's investment strategy. See Item 8 for a description of our investment strategy.

We do not manage Wrap Fee programs.

We manage \$475,700,000 of Client assets on a discretionary basis and \$18,800,000 of Client assets on a non-discretionary basis. These amounts were calculated as of December 1, 2011.

## Item 5 – Fees and Compensation

We provide investment supervisory, financial planning and investment consulting services to Clients primarily under the following fee schedules below:

### **Assets Under Management:**

Maximum Annual Wealth Management Retainer Fees:

2.05% on assets under \$250,000

1.85% on assets between \$250,001 and \$500,000

1.60% on assets between \$500,001 and \$750,000

1.35% on assets between \$750,001 and \$1,000,000

1.10% on assets between \$1,000,001 and \$3,000,000

0.85% on assets between \$3,000,001 and \$5,000,000

0.60% on assets in excess of \$5,000,000

We may also provide investment advice or financial planning to Clients on an hourly or fixed rate fee. Our maximum hourly rate is \$250.00 per hour depending on the complexity of the issue being addressed. Fixed fee project pricing is quoted for each project, depending on the scope of work performed. Notwithstanding the above, fees are generally negotiable

Client's asset management accounts are billed quarterly in arrears. Fees are paid to us from the client's account by the custodian upon our submission of an invoice. Payment of fees may result in the liquidation of Client's securities if there is insufficient cash in the account. The fee is based on the market value of the Client's account on the last trading day of the prior quarter.

Market value means the value of all assets in the account (not adjusted by any margin debit). To determine value, securities and other instruments traded on a market for which actual transaction prices are publicly reported shall be valued at the last reported sale price on the principal market in which they are traded (or, if there shall be no sales on such date, then at the mean between the closing bid and asked prices on such date). Other readily marketable securities and other instruments shall be priced using a pricing service or through quotations from one or more dealers. All other assets shall be valued at fair value by the Adviser whose determination shall be conclusive.

The quarterly fee will be equal to the agreed upon annual rate, multiplied by the market value of the account. This number is then divided by the number of days in the year and then multiplied by the number of days in the quarter.

Fees for a partial quarter at the commencement or termination of an agreement will be prorated based on the number of days the account was open during the quarter. Quarterly fee adjustments for additional assets received into an account during a quarter or for partial withdrawals may also be provided as negotiated. We may modify the terms of the fee agreement by giving Clients 30 days written notice in advance.

Clients pay us a one-time set-up fee of up to \$250.00 per account. A quarterly fee of up to \$37.50 will also be charged per account for administrative services. Clients pay no commissions or trading fees on any discretionary trades initiated by us. However, Clients are charged up to \$35.00 per trade as an administrative fee by us for any Client directed trades. Notwithstanding the foregoing, fees are generally negotiable.

Clients may be required to pay other miscellaneous charges or fees directly to the custodian (e.g. wire fees) as stated in the custodial agreements. Additionally, to the extent any such fee might be charged, Clients may be required to pay their proportionate share of any short-term redemption fees or other charges imposed by mutual funds or exchange traded funds. Mutual funds and exchange traded funds also have internal fees paid to the fund directly from the fund itself. These fees are separate and additional expenses incurred by the Client. See Item 12 for additional information on Brokerage Practices.

Our fees include the time necessary to work with Client's attorney, accountant or other third party professionals in reaching agreement on financial planning or investment solutions, as well as assisting those advisors in implementation of all appropriate documents. However, we are not responsible for attorney, accountant or other third party professional fees charged to Client as a result of these activities.

In some instances, we may recommend that all or a portion of Client assets be managed by an unrelated Third Party Asset Manager ("TPAM") or sub-advisor. These arrangements are more fully disclosed in Section 10, below.

Clients pay all Wealth Management Retainer fees quarterly in arrears. As such, there are never any pre-paid fees for Assets Under Management which would be subject to refund. All Wealth Management agreements may be terminated at any time by providing us with written notice. Upon termination, any fees that have been earned by us but not yet paid will be immediately due and payable. Clients are also responsible for all applicable charges including, but not limited to, account administrative fees, account closure fees and all trading costs due to the termination, including any fees the mutual funds may assess. Upon request, we will provide a good-faith estimate of these fees.

Payment of fixed fee projects shall be made as agreed by the parties. Hourly rate projects are generally invoiced by us with payment due by Client upon receipt of the invoice. We may estimate the number of hours necessary to complete a project, and we may collect a portion of this estimate up front and invoice the balance. However, under no circumstances will the Client be required to pay more than \$1200 for services more than six months in advance. Upon termination of any hourly or fixed fee project, any prepaid but unearned fees will be promptly refunded to the Client.

Certain Advisory Affiliates are also independently licensed as Certified Public Accountants. CPA services are performed outside of, and independent from the investment advisory services performed through THG. THG does not supervise or accept responsibility for any of these unrelated services. Because Advisory Affiliates receive compensation for these outside services, a conflict of interest is created because there is an incentive for the Advisory Affiliate to recommend their independent firm for accounting or related services. Clients are advised that they are free to seek similar services from any CPA or other firm they wish.

Certain Advisory Affiliates of THG are also independently Registered Representatives with KMS Financial Services, Inc. ("KMS") or Financial Network Investment Corporation ("FNIC"). KMS and FNIC are FINRA member broker dealers and are not affiliated with THG. Certain Advisory Affiliates of THG are also independently licensed to sell insurance through KMS, FNIC, or other insurance agencies. THG does not act as an insurance brokerage or agency and is not otherwise affiliated with any insurance brokerages or agencies. Clients are advised that the sale of insurance product are neither monitored nor approved by THG.

When securities and insurance related business is transacted with advisory Clients, the individual Advisory Affiliates of THG may receive commissions from products sold to Clients. Clients are advised that the Wealth Management Retainer fees paid to THG are separate and distinct from the commissions earned by any individual in connection with the sale of insurance or other securities products. THG does not receive any compensation for products sold by these Advisory Affiliates.

The receipt of commissions by individuals associated with THG presents a conflict of interest. As fiduciaries, we must act primarily for the benefit of investment advisory Clients. As such, we urge the independent registered representatives and licensed insurance representatives to only transact insurance or securities related business with Clients when suitable, and appropriate to fit a Client's needs. Further, we urge the independently registered representatives and licensed insurance representatives to determine in good faith that any commissions earned are appropriate. Clients are under no obligation to use any individual associated with THG for insurance or securities products or services, and may use any insurance or brokerage firm or agent they choose.

Because THG is not involved in the sale of insurance or other securities products, we will not know the actual dollar amount of any commission payment to an independently registered representative or licensed insurance representative. Also, because THG is neither a broker dealer nor an insurance agency, we do not have the ability to rebate commissions received for the sale of a product and cannot discount the price of a product to make up for any commission that may be received from its sale.

#### **Item 6 – Performance-Based Fees and Side-By-Side Management**

We do not charge any performance-based fees for our services or engage in side-by-side management.

#### **Item 7 – Types of Clients**

We provide investment advice to individuals, businesses, pension and profit sharing plans, trusts, estates, and charitable organizations. Because each Client is unique, they must be willing to be involved in the planning and ongoing processes. Such involvement does not have to be time consuming, however we want our Clients to remain informed about their overall financial situation.

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

We create broadly diversified portfolios in the worldwide fixed-income and equity markets, combined with periodic rebalancing. Our Advisory Affiliates create an investment strategy with each Client, outlining the investment philosophy, management procedures, and long-term goals for the investor. Portfolio design is tailored to each Client's risk tolerance and preferences.

As part of our core investment approach, we generally offer advice on investments including (but not limited to) the following: mutual funds, exchange-traded funds, and exchange-listed equity securities. We may also recommend certificates of deposit, municipal securities, U.S. government securities, money market funds, and any other types of investments when suitable and appropriate for the Client's particular situation. If Clients hold other types of investments, we will advise them on those investments also.

The main sources of information we rely upon when researching and analyzing securities include traditional research materials such as financial newspapers and magazines, annual reports, prospectuses, filings with the SEC, as well as research materials prepared by others, and company press releases. We also subscribe to various professional publications deemed to be consistent and supportive of our investment philosophy.

We primarily research and review securities using traditional technical, fundamental, and cyclical analysis. The primary investment strategies used to implement investment advice given to Clients include long-term (securities held at least one year) and short-term (securities sold within a year) purchases.

We use our best judgment and good faith efforts in rendering services to Clients. However, any investing in securities involves risk of loss that Clients should be prepared to bear. Not every investment decision or recommendation made by us will be profitable. We cannot warrant or guarantee any particular level of account performance, or that an account will be profitable over time.

Clients assume all market risk involved in the investment of account assets. Investments are subject to various market, currency, economic, political and business risks.

Except as may otherwise be provided by law, we are not liable to Clients for:

- ◆ any loss that Clients may suffer by reason of any investment recommendation we made with that degree of care, skill, and diligence under the circumstances that a prudent person acting in a fiduciary capacity would use; or
- ◆ any act or failure to act by a custodian or other third party to Client accounts.

It is the responsibility of the Client to give us complete information and to notify us of any changes in financial circumstances or goals.

## **Item 9 – Disciplinary Information**

We are required to disclose all material facts regarding any legal or disciplinary event that would be material to your evaluation of our firm, or the integrity of our management. No principal or person associated with our firm has any information to disclose which is applicable to this Item.

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

### **Affiliated Entities:**

We are affiliated through common ownership and control with CS Planning Corp (“CSP”), FocusPoint Solutions, Inc. (“FPS”), and Three G Financial, LLC (“Three G”). THG, CSP, FPS, and Three G are all under common control of Christopher K. Hicks who is considered a control person of each firm because he holds more than 25% ownership interest in each firm.

CSP is an investment advisor registered with the Securities and Exchange Commission. CSP offers a wide range of financial planning and investment advisory services through numerous Advisory Affiliates to the firm.



Three G is an investment advisor registered with the Securities and Exchange Commission. Three G provides investment supervisory services for compensation to an investment company registered under the Investment Company Act of 1940 (the “Fund”). In exchange for these services, Three G charges an annual management fee equal to 0.85% of the Fund's average daily net assets and we may make periodic recommendations to Clients which include the Fund. Further, another affiliated investment advisory firm, FPS has contracted with Three G to manage the Fund through a sub-advisory agreement. Among other things, FPS provides investment research, coordination of executing the purchase and sale of securities, and substantial operational support. FPS also furnishes at its own expense, all necessary administrative services, office space, equipment and personnel for managing the investments of the Fund. In exchange for these services, FPS receives an annual fee equal to 0.25% of the Fund's average daily net assets. This fee is paid to FPS by Three G from the revenue it receives from their 0.85% annual management fee.

Although the management fee paid to Three G and the sub-advisory fee paid to FPS are normal and customary and comparable to the fees charged by other similar style funds and sub advisory arrangements, the affiliation of these entities with THG creates certain conflicts. We have an incentive to recommend the Fund to Clients because Three G and FPS both receive compensation based on assets placed in the Fund, and this compensation is in addition to the compensation we receive for the Wealth Management services we provide. However, Clients are advised that the Fund is subjected to the same disciplined investment due diligence process which includes regular reviews and evaluation of the merits of each mutual fund utilized in Client portfolios.

FPS also provides sub-advisory, turnkey asset management, back office, and administrative services to both affiliated and non-affiliated registered investment advisory firms, including THG. These services may include, but are not limited to the following:

- research,
- due diligence,
- reporting,
- portfolio analysis, and
- back office administration.

FPS generally does not have any direct contact with our Clients. FPS provides services directly to us and we are solely responsible for Client accounts. Upon entering into an agreement for advisory services with us, Clients authorize us to use FPS to service their account, including billing and the deduction of fees. Clients agree to allow us to share non-public, personal information with FPS for the purpose of administering and managing Client's account. We require FPS to execute a confidentiality agreement and not share Client information with any unauthorized person or entity. The use of FPS will not cause Clients to incur any additional fees. We pay FPS for services out of the Wealth Management Retainer fee charged to Clients. Our fee schedule is disclosed under Item 5 above.

The use of an affiliated service provider such as FPS creates a conflict of interest because we have an incentive to hire FPS over other unrelated third party service providers. In order to mitigate this conflict of interest, we conduct regular assessments to evaluate the continued use of all third party service providers, whether or not affiliated.

### **Outside Business Activities of Advisory Affiliates:**

As disclosed in Section 5, above, Advisory Affiliates of THG may also be independently licensed as Registered Representatives with FINRA member broker dealers, KMS Financial Services, Inc. (“KMS”) or Financial Network Investment Corporation (“FNIC”). Advisory Affiliates may also be independently licensed as Certified Public Accountants. The conflicts of interest associated with these arrangements and how these conflicts are addressed are described in Section 5.

### **Solicitor Relationships**

We may enter into Solicitor arrangement with individuals or other registered investment advisors. Solicitor arrangements and requirements are more fully described in Item 14 (“Client Referrals and Other Compensation”), below. We do not believe this arrangement creates any conflicts of interest with any of our Clients.

### **Other Investment Managers:**

On occasion, we may recommend and engage unaffiliated Third Party Asset Managers (TPAM) or sub-advisors who provide customized investment portfolio management services. These services may include the construction of investment portfolios, execution of securities purchase and sale transactions, and portfolio administration, including tracking of and reporting on portfolio performance and investment results.

We are authorized by our Clients to share non-public, personal information with TPAMs or sub-advisors for the purpose of managing their portfolios. However we require any TPAM or sub-advisor to execute a confidentiality agreement and not share non-public personal information with any unauthorized person or entity.

Clients are generally required to enter into a separate advisory agreement with any TPAM or sub-advisor. The use of TPAMs or sub-advisors may cause Clients to incur additional fees. If applicable, any additional fees will be fully disclosed to Clients in a separate agreement with the TPAM or sub-advisor.

## **Item 11 – Code of Ethics, Participation or Interest in *Client* Transaction & Personal Trading**

We have a Code of Ethics which all employees are required to follow. The Code of Ethics outlines our high standard of business conduct, and fiduciary duty to Clients. The Code of Ethics includes provisions relating to the confidentiality of Client information, a prohibition on insider trading, personal securities trading procedures, improper use of Firm property, and diversion of investment and business opportunities, among other things. A copy of the code of ethics is available to any Client or prospective Client upon request by contacting us at (503) 292-5853 or [info@thegroup.com](mailto:info@thegroup.com). Brochures are provided free of charge.

As stated under Item 10 above, Three G provides investment supervisory services to registered investment companies. The conflicts of interest this arrangement presents and how we mitigate those conflicts are also disclosed in Item 10.

We or individuals associated with our firm may buy and sell some of the same securities for their own account that we buy and sell for Clients. When appropriate we will purchase or sell securities for Clients before purchasing the same for our account or allowing representatives to purchase or sell the same for their own account. However, we do allow the accounts of employees to be included in block trading alongside

the accounts of Clients. In some cases we or our representatives may buy or sell securities for our own account for reasons not related to the strategies adopted for our Clients. Our employees are required to follow the Code of Ethics when making trades for their own accounts in securities which are recommended to and/or purchased for Clients. The Code of Ethics is designed to assure that the personal securities transactions will not interfere with decisions made in the best interest of advisory Clients while at the same time, allowing employees to invest their own accounts.

We will disclose to advisory Clients any material conflict of interest relating to us, our representatives, or any of our employees which could reasonably be expected to impair the rendering of unbiased and objective advice.

As any advisory situation could present a conflict of interest, we have established the following restrictions to ensure our fiduciary responsibilities:

1. A director, officer, associated person, or employee of THG shall not buy or sell securities for his personal portfolio where his decision is substantially derived, in whole or in part, by reason of his employment unless the information is also available to the investing public on reasonable inquiry. No person of THG shall prefer his or her own interest to that of the advisory Client.
2. We maintain a list of all securities holdings for the firm and for anyone associated with its advisory practice who has access to advisory recommendations. An appropriate officer reviews these holdings on a regular basis.
3. Any individual not in observance of the above may be subject to termination.

## **Item 12 – Brokerage Practices**

Our Clients' assets are held by independent third-party qualified custodians. We do recommend certain custodians to Clients. Clients are not obligated to use any particular custodian recommended by us, however we reserve the right to decline acceptance of any Client account for which the Client directs the use of a particular custodian if we believe that this choice would hinder either our fiduciary duty to the Client or our ability to service the account.

In recommending custodians, we will comply with its fiduciary duty to seek best execution and with the Securities Exchange Act of 1934. We will take into account such relevant factors as:

- Price;
- The custodian's facilities, reliability and financial responsibility;
- The ability of the custodian to effect transactions, particularly with regard to such aspects as timing, order size and execution of order;
- The research and related brokerage services provided by such custodian to us, notwithstanding that the account may not be the direct or exclusive beneficiary of such services; and
- Any other factors that we consider to be relevant.

Due to our relationship with FPS and the aggregation of Client accounts with custodians, we do receive investment research products and/or services which assist us in our investment decision-making process. Such research generally will be used to service all Client accounts. The receipt of investment research products and/or services poses a conflict of interest because we do not have to produce or pay for the products or services.

Indirectly and through our relationship with FPS, THG receives, without cost to us, computer software and related systems support, which allow us to better monitor accounts. We receive software and related support without cost because our Clients maintain assets with these custodians. The software and related systems support benefits us, but may not benefit the Clients directly. Our receipt of these types of benefits from a custodian creates a conflict of interest since these benefits may influence our recommendation of one custodian over another that does not furnish similar software, systems support, or services. Additionally, we receive: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively service the custodians' respective institutional division participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to accounts; and access to an electronic communication network for order entry and account information.

Many of the above benefits are generally considered to be "soft dollar" arrangements. As a result of receiving such products and services for no cost, we have an incentive to recommend to Clients custodians that offer soft dollar arrangements. However, these types of arrangements are similar and common to the custodial relationships of other registered investment advisory firms in the industry. We periodically evaluate custodians to determine whether the benefits we receive are reasonable in relation to the value of services provided to our Clients.

FPS, an Affiliated Entity and back office service provider to THG, has entered into arrangements with various custodians to provide numerous and substantial services to RIA firms that would normally be provided by the custodians. This results in substantial cost savings for the custodians and increased costs for FPS. In return for providing these services, FPS receives additional compensation from certain custodians. This compensation is based on revenue from the use of funds participating in the custodian's no transaction fee program. This relationship creates a conflict of interest as FPS would benefit more when we recommend those funds for Client accounts. Additionally, because FPS generally pays custodial trading costs for the trades recommended by us, there could be an incentive to make fewer trading recommendations in ordinary transaction fee funds in order to control trading expenses. These conflicts of interest may influence our recommendation of one custodian over another that does not furnish similar benefits. However, these conflicts are mitigated by our fiduciary duty to put our Clients' interests first. We review what types of funds are available for use in Client portfolio allocations and seek those that are the most suitable, appropriate and in the Client's best interest.

We may aggregate trades for Clients. The allocations of a particular security will be determined by us before the trade is placed with the broker. When practical, Client trades in the same security will be bunched in a single order (a "block") in an effort to obtain best execution at the best security price available. When employing a block trade:

- We will make reasonable efforts to attempt to fill Client orders by day-end.
- If the block order is not filled by day-end, we will allocate shares executed to underlying accounts on a pro rata basis, adjusted as necessary to keep Client transaction costs to a minimum.

- If a block order is filled (full or partial fill) at several prices through multiple trades, an average price and commission will be used for all trades executed;
- All participants receiving securities from the block trade will receive the average price.
- Multiple blocks may be executed within a single day. However, only trades executed within the block on the single day may be combined for purposes of calculating the average price.

It is expected that this trade aggregation and allocation policy will be applied consistently. However, if application of this policy results in unfair or inequitable treatment to some or all of our Clients, we may deviate from this policy.

Finally, it is our policy to minimize the occurrence of trade errors. Should any trade errors which are attributable to THG occur, we shall take any steps necessary to put the Client in the position it should have been as if the trade error never occurred. In the event we determine that a bona fide trade error has occurred which is attributable to THG, we will correct the trade error using funds from our error account. Depending on the internal trade error policies and procedures of the particular custodian, our error account may be debited if the correction results in a loss. Likewise, our error account may be credited if the correction results in a gain. This situation creates a conflict of interest as THG has an incentive to recommend particular custodians over others that may not have a similar policy.

### **Item 13 – Review of Accounts**

We hold monthly meetings with Advisory Affiliates, or more frequently if required, where strategic changes to portfolio are discussed. While the underlying securities within accounts are continually monitored, Client accounts are formally reviewed at least annually. Accounts are reviewed in the context of each Client's stated investment objectives and guidelines.

We have a number of Advisory Affiliates who are assigned as the primary representative to a particular Client's account. The Advisory Affiliate assigned to a particular Client's account will be responsible for the periodic reviews to that account. Clients will be provided the Supplemental Brochure (Form ADV Part 2B) of any Advisory Affiliate providing advice related to their account.

More frequent reviews may be triggered by a number of reasons including: a change in Client's investment objectives; tax considerations; large deposits or withdrawals; large sales or purchases; or changes in the economic climate.

Investment advisory Clients receive standard account statements from the custodian of their accounts generally on a monthly basis, but in any event, no less than quarterly. Advisor Affiliates may also provide Clients with periodic written reports summarizing the account activity and performance. Along with these reports, we discuss the asset allocation of the portfolio compared to the portfolio target allocations.

Financial Planning Clients will typically receive a completed written financial plan unless otherwise agreed at the start of the engagement. However additional review or reports will not typically be provided unless otherwise provided for under the terms of the engagement. Consulting Services Clients will not typically receive reports or formal reviews due to the nature of the service.

#### **Item 14 – *Client Referrals and Other Compensation***

As disclosed under Item 12 (above), we (or our Affiliates) may receive “soft dollars” from certain custodians. The conflicts of interest this type of arrangement presents and how we deal with these conflicts are described in detail under Section 12, above.

As disclosed under Items 5, 10 and 12 above, representatives of THG, are licensed as Registered Representatives with KMS and FNIC and may also be licensed to sell insurance or provide accounting services. The conflicts of interest these arrangements present and how we deal with these conflicts are described in detail under Section 5, above.

We may pay a fee to individuals or entities which refer Clients to our firm. These persons are commonly called “Solicitors.” Any arrangements we may have with a Solicitor will be in compliance with SEC Rule 206(4)-3 under the Investment Advisers Act of 1940 (the “Act”).

Any Solicitor referral arrangement between us and a third-party will be in writing. The writing will set forth the following:

- (a) the scope of the Solicitor’s activities;
- (b) a covenant that the Solicitor will perform its activities consistent with our instructions and in compliance with the Act and associated rules; and
- (c) a covenant that the Solicitor will provide the Client with:
  - a copy of our Form ADV Part 2 and
  - a separate written solicitor disclosure.

The separate written Solicitor disclosure must include the following information:

- The name of the Solicitor;
- The nature of the relationship between the Solicitor and us;
- A statement that the Solicitor will be compensated by us for the referral;
- The terms of the compensation arrangement including a description of the fees paid or to be paid to the Solicitor; and
- The amount the Client will be charged in addition to the Wealth Management Retainer fee (if any).

We may pay a portion of ongoing Wealth Management Retainer fees charged to a Client so as long as the payments are consistent with the written Solicitor disclosures provided to the Client (and in accordance with the requirements of SEC Rule 206(4)-3).

We will not engage any Solicitors who are disqualified from acting as a Solicitor under Section 203 of the Act. For example, we will not pay a Solicitor a referral fee to any person who has been barred or prohibited from acting as an investment adviser or broker-dealer, or convicted within the past ten years of certain felonies or misdemeanors.



## Item 15 – Custody

With the exception of our ability to debit fees, we do not otherwise have custody of the assets in the account.

We shall have no liability to a Client for any loss or other harm to any property in the account, including any harm to any property in the account resulting from the insolvency of the custodian or any acts of the agents or employees of the custodian and whether or not the full amount or such loss is covered by the Securities Investor Protection Corporation (“SIPC”) or any other insurance which may be carried by the custodian. The Client understands that SIPC provides only limited protection for the loss of property held by a custodian.

Clients receive standard account statements from the custodian of their accounts generally on a monthly basis, but in any event, no less than quarterly. Our Advisory Affiliate’s may also provide Clients with periodic written reports summarizing the account activity and performance. We urge all Clients to carefully review statements from the custodian and compare these to any reports that we may provide to you. Our reports may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

## Item 16 – Investment Discretion

Generally, Clients grant us ongoing and continuous discretionary authority to execute investment recommendations in accordance with an agreed upon investment strategy or plan without the Client’s prior approval of each specific transaction. Under this discretionary authority, Client allows us to purchase and sell securities and instruments in their account(s), arrange for delivery and payment in connection with the foregoing, select and retain sub-advisors, and act on behalf of the Client in matters necessary or incidental to the handling of the account, including monitoring certain assets. The only restrictions on this discretionary authority are those set by the Client on a case by case basis. We make it a practice to question Clients to determine if there are any limitations to the Advisor’s discretionary authority on such matters.

## Item 17 – Voting *Client Securities*

Generally, we do vote proxies for Client accounts. However, Client’s may retain the right to vote their own proxies. We have established guidelines (“Guidelines”) in our Proxy Voting Policies and Procedures in a manner generally intended to support the ability of management to run its business in a responsible and cost effective manner while staying focused on maximizing shareholder value. Generally we will vote proxies in accordance with management’s recommendations. However, all proxy votes are ultimately cast on a case-by-case basis, taking into account relevant facts and circumstances at the time of the vote. For this reason, consistent with our fiduciary duty to ensure that proxies are voted in the best interest of our Clients, we may from time to time vote proxies against management’s recommendations, in accordance with our Guidelines.

Where a proxy proposal raises a material conflict between us and a Client's interest, we will resolve the conflict as follows:

1. **Vote in Accordance with the Guidelines.** To the extent that we have little or no discretion to deviate from the Guidelines with respect to the proposal in question, we will vote in accordance with the pre-determined voting policy.
2. **Independent Third Party Recommendation.** To the extent that we have discretion to deviate from the Guidelines with respect to a proposal in question, for those proxy matters in which we have a material conflict of interest, we will vote Client proxies in based on the recommendations of an independent third party.

We will review the proxy proposal for conflicts of interest as part of the overall vote review process. Any material conflict of interest identified by us will be addressed as described above.

We will maintain for the time periods set forth in the Rule (currently 5 years; 2 of which shall be in our office):

- proxy voting procedures and policies, and all amendments;
- a record of all proxy statements received by us regarding Client securities (provided however, that we may rely on the proxy statement filed on EDGAR as our records);
- a record of all votes cast on behalf of Clients;
- records of all Client requests for proxy voting information;
- any documents prepared by us which were material to making a decision how to vote or that memorialized the basis for the decision; and
- all records relating to requests made to Clients regarding conflicts of interest in voting the proxy.

Clients may obtain information on how proxies were voted with respect to the Clients' portfolio securities or a copy of our Policies and Procedures.

We will seek to consider each proxy issue individually. Proxy voting may be different for different types of Clients. We have proxy voting Guidelines but not rigid rules. Our Guidelines are available upon request.

### **Item 18 – Financial Information**

We do not require Wealth Management Retainer fees to be paid in advance. A portion of hourly rate or fixed fee projects are generally required to be paid in advance, however under no circumstances will we retain more than \$1,200.00, more than six months in advance from any Client.

We do have discretionary authority over Client funds or securities, but we have no financial commitments that would impair our ability to meet contractual and fiduciary commitments to Clients.

Neither THG, nor any of the principals, have been the subject of a bankruptcy petition at any time in the past. We have no financial conditions that would impair our ability to meet contractual commitments to our Clients.



## Exhibit A – Summary of Material Changes

This Item discusses only specific material changes that have been made to our Brochure since the date of our last annual update, which was April 4, 2011. Since that date we have made the following material changes:

**Item 5:** Revisions to this Item include the following:

- Our revised maximum Wealth Management Retainer fee schedule;
- Clarification of additional fees;
- Disclosures and description of compensation received by our Advisory Affiliates.

**Item 10:** Revisions to this Item include the following:

- Disclosures and description of compensation received by our Affiliated Entities;
- Use of Other Investment Managers.

**Item 11:** This Item has been revised to include the disclosure that we may trade employee accounts alongside client accounts in block trades.

**Item 12:** Revisions to this Item include the following:

- Disclosure and description of certain soft dollar benefits we receive from custodians;
- Disclosure of additional compensation received by Affiliated Entities from custodians;
- Disclosure and a brief description of our policies relating to trade errors.

We will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business' fiscal year. We may further provide other ongoing disclosure information about material changes as necessary and will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting us at (503) 292-5853 or [info@thegroup.com](mailto:info@thegroup.com). Our Brochure is provided free of charge.