

Quality Growth Management, Inc.

GENERAL INFORMATION AND DISCLOSURE STATEMENT

February 23, 2012

This Form ADV, Part 2A Brochure provides information about the qualifications and business practices of Quality Growth Management, Inc. If you have any questions about the contents of this brochure, please contact us at 858.759.0617 or info@qualitygrowth.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.

Any reference to or use of the terms "registered investment adviser" or "registered," does not imply that Quality Growth Management, Inc. or any person associated with Quality Growth Management, Inc. has achieved a certain level of skill or training.

Additional Information about Quality Growth Management, Inc. is available on the SEC's website at www.adviserinfo.sec.gov.

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What's New?

There is nothing new this year in our General Information and Disclosure Statement.

Organization

Quality Growth Management, Inc. is registered with the United States Securities and Exchange Commission as a Registered Investment Advisor. We were founded in Rancho Santa Fe, California, on January 2, 1996 by Steven L. Ré, CFA, who continues to own our company. Our objective was simple: to accumulate wealth through diligent long-term investing in equities and fixed income. We have approximately \$150 million under management. We are purely discretionary managers and custody no assets. We determine when, where, how and why to purchase and or sell securities. Clients are required to maintain their own custodial relationship with a brokerage firm or bank.

Fees

Equities: 1.5% per year, assessed quarterly, if total assets are under \$500,000, 1.25% between \$500,000 and \$1,000,000, and 1% over \$1,000,000. Fixed Income: assessed at half the rate of equities. Cash assets and money market securities are included in the fee calculation. We do not act as brokers or custodians; therefore we receive no brokerage commissions, mark-ups, or custody fees. We deduct fees from accounts on a quarterly basis. Fees are assessed at the middle of each quarter and are calculated on the asset value of accounts at the end of the preceding quarter. For example, fees for the first quarter of the year are deducted from accounts in the middle of February, based on the value of account assets on the preceding December 31st. The formula used for fee calculation is (annual rate x total assets under management at end of the preceding quarter / 4.)

Since we are paid as a percentage of account asset value, we get a raise if we perform well and the account increases in value, and a pay cut if we fail to perform.

In special situations, a client may choose a performance fee arrangement in conformance with Rule 205-3 of the Investment Advisor's Act. The Act permits performance fee arrangements with clients who place a minimum of \$1,000,000 under management and have a net worth in excess of \$1.5 million. The fee must be based on periods of at least twelve months in duration. This arrangement could provide an incentive for the management style to be more aggressive.

Termination

Either party may terminate the Discretionary Investment Management Agreement upon thirty days written notice. We will refund any prepaid unearned management fees based on the effective date of termination. Earned but unpaid management fees will be charged upon receipt of notice of termination.

Types of Clients

Our clients include individuals, corporations, foundations, trusts, retirement funds and IRAs.

Personnel Who Make Management Decisions for Your Portfolio

Steven L. Ré, CFA has been registered in investment capacities since 1976 with the Securities and Exchange Commission. Steve has been President of Quality Growth Management since 1996. For the preceding ten years he was a Registered Investment Advisor, Portfolio Manager, and Vice

President with Freedom Capital Management of Boston, Massachusetts and a Senior Vice President and Portfolio Manager with Sutro and Co., Inc. He started in the investment business as a stockbroker in 1976. Before that he worked in loan review at Lloyds Bank California's Corporate Banking Department in Los Angeles, giving him an extensive financial analysis background. Steve is a graduate of the University of Southern California and has been granted the Chartered Financial Analyst designation by the CFA Institute. He is a former president and member of the Board of Directors of the CFA Society of San Diego and a former president and member of the Board of Directors of the Fairbanks Ranch Association. He served on the University of Southern California Alumni Association Board of Governors for four years.

David R. Marchesani, CFA has been working in the investment management industry since 1996. He began his career at Hewitt Investment Group, an investment consulting firm specializing in institutional clients. At Hewitt, David assisted multi-million and multi-billion dollar clients with asset allocation studies and ongoing evaluation of their investment managers. He also interviewed and conducted due diligence on managers ranging across all different investment styles and philosophies. This experience gave him extensive knowledge of the various strategies that portfolio managers utilize in their search for outperformance. After Hewitt, he worked for several investment managers, including Systematic Financial Management, HGK Asset Management, and Nicholas-Applegate Capital Management. David received a Bachelor of Science in Finance from Indiana University, a Master of Science in Entrepreneurship from San Diego State University, and has been granted the Chartered Financial Analyst designation by the CFA Institute. David joined Quality Growth Management, Inc. in December 2005.

Equity Investment Strategy

Our mission is to provide the long-term alpha component to our client's equity portfolios. We approach stock investing as the long-term ownership of part interests in innovative companies with highly scalable businesses – businesses that have the potential to leverage good revenue growth into dramatic cash earnings growth within three to five years of the purchase date. We attempt to establish ownership at a price discounted from our estimate of the business' intrinsic value.

The templates which provide a framework for judging the potential of companies to provide exceptional investment returns have not changed over time. Corporate profitability extends from a proprietary position within an industry, such as a moat created by brand name loyalty or innovation leadership. The ability to manage that proprietary position well allows a company to extend exceptional business economics, including an operating profit margin, into the future. Maintenance of great economics over an extended period of years in a very large field of business provides the opportunity for a company to grow to multiples of its former size. Another ingredient of the template is scalability – the ability of the company to grow earnings faster than revenues as revenues grow logarithmically.

We are concentrated investors, the antithesis of a broadly diversified approach. While, it requires investors to patiently hold their portfolio even when other strategies appear to be winning, it allows us to “arbitrage” a typical behavior of the many investors, an unwillingness to fully value the long-term future of a business. And, of course, the value of a business is the present value of future cash earnings that can be earned on its assets, after being shared with its other constituencies. Typical annual portfolio turnover ranges between 10% and 20%, which means holding positions for between five and ten years. We keep winners and shed losers. Evidence, both academic and empirical,

indicates that such a strategy can generate above-average returns if the stock selection reflects diligent and high-quality analysis

The policy of portfolio concentration may well decrease long-term risk, as it requires increasing both the intensity with which an investor thinks about a business and the comfort level he must achieve before buying into it. By focusing on a limited number of select companies, an investor is better able to study them closely, understand their businesses, and estimate their value. Knowing more about a company reduces the unknown risks; the risks that surprise us are the ones that hurt the most. This approach to risk is directly opposite to the diversification technique recommended by typical investment professionals. The general assumption of a diversified portfolio is that the investor is unable to identify or predict all the risks associated with an investment. The objective of the concentrated investor, however, is to be able to better identify and predict potential risks than competing investors.

Having a focus on individual investments and their intrinsic value allows the rational investor to take advantage of market fluctuations, which can create unusual opportunities to acquire companies at compelling prices. Short-term fluctuations in the price of a stock reflect neither intrinsic value, nor the prospects of long-term investment success.

The road to these rewards is bumpy, because price volatility is a necessary by-product of the concentrated approach. When a portfolio focuses on just a few companies, a price change in any one of them is all the more noticeable and has greater overall impact. The ability to withstand that volatility, without undue second-guessing, is crucial to the investor's peace of mind and, ultimately, to financial success. This approach to portfolio management might appear odd to investors used to actively buying and selling stock on a regular basis, but it has two important economic benefits in addition to growing capital at an above-average rate: it dramatically reduces transaction costs and increases after-tax returns. Furthermore, arithmetic supports long-term investment: a stock cannot go down nearly as much as it can go up. Our investment philosophy is unchanged since the inception of our firm, despite the dramatically contrasting emotions the market has exhibited over that period.

Risks: Investment in securities involves considerable uncertainties and the risk of permanent loss of capital. Stocks decline for numerous reasons both outside of and within the control of the company. Reasons outside of the control of the company include economic weakness, changes in inflation rates and interest rates, unfortunate political developments, negative fiscal policies, and stock market depreciation anywhere in the world. Within companies, results may disappoint in terms of revenues, profit margins, earnings, market share, intellectual property ownership, litigation, and numerous other issues. Dishonest managements and financial statements also damage stock prices. Over our years of experience, we have learned that there are more reasons for stocks to decline than we can enumerate at one sitting.

Fixed Income Strategy

We invest in investment grade bonds characterized by high coupons and moderate maturities. We seek active call provisions that serve to shorten the duration and compress the dollar price of the bonds we seek, thereby raising their yield to maturity above that of new issue bonds of comparable maturity.

Risks: Investment in securities involves considerable uncertainties and the risk of permanent loss of capital. The value of fixed income instruments are particularly threatened by inflation, weakening

credit conditions, rising interest rates, failing individual credits, untruthful financial statements and management, along with numerous other issues.

Cash Allocation

We are very patient investors. It is not prudent to overpay for a company, even a very good company, and we will wait for the price to come down to an acceptable level. Accordingly, client accounts may hold a relatively high level of cash for periods of time. It is important to note that we do not time the market and the cash allocation is not a strategic decision. Rather, cash is a by-product of our disciplined purchase strategy. We do consider the cash as funds available for investment and part of the overall portfolio. Therefore, cash balances are included in the fee calculation. If cash were not included in the fee calculation, it would create a conflict of interest where our fee would increase simply by purchasing more securities, even if those purchases were not in clients' best interest. We have noted this in our Discretionary Investment Management Agreement.

Code of Ethics

The employees of Quality Growth Management, Inc. shall execute their responsibilities in a manner that puts the welfare of our clients first. We shall act with integrity, competence, and dignity, mindful that there are, sooner or later, consequences for our actions. We shall be mindful that we are fiduciaries for our clients. Our clients depend on us to consider their needs before our own; indeed, many depend on us for their financial survival. Our personal well-being and wealth is advanced by acting as stewards of the well-being and wealth of our clients.

Our clients pay us to act in their best interests.

Investment decisions shall only be based on sound in-depth original research, and shall correspond to the needs and objectives of individual clients.

Employees shall not knowingly participate in any actions that violate government regulations or fail to comply with the CFA Institute's Code of Ethics and Standards of Professional Conduct. The CFA Institute's Code of Ethics and Standards of Professional Conduct are to be used as a guide by all employees.

Sometimes we will execute trades for the accounts of our firm, its employees, and employee families in the same trading session as client orders. When this occurs, these trades will either participate in the same block as client trades or will be executed after client trades are completed.

Employees shall treat each other with honor, dignity, and respect.

Employees shall not undertake any independent practice that could result in competition with their employer.

How We Operate and Potential Conflicts of Interest

For a fixed percentage fee relative to account size and asset allocation, we select corporate and government-backed investments for clients consisting primarily of equities and bonds. A thorough discussion of long-term objectives, risk tolerance, and investment experiences of the client leads to an understanding between the client and this advisor that forms the basis of portfolio composition. Sensitivity towards client concerns is emphasized so that client comfort is included in the investment

program. We are willing to spend time educating clients about the difference between speculation and serious investing. We exercise trading discretion over managed accounts.

We Do Not Custody Assets

We hold no account assets. All client assets are held by a custodian, typically a bank or brokerage firms, such as Charles Schwab & Co., Inc. Clients choose their own custodian. Custodians prepare monthly account statements for clients, and clients should review the statements carefully for accuracy.

Our management fees are paid on a percentage of account assets and are charged quarterly to client accounts. Custodians will not determine whether management fees have been accurately calculated; it is the client's responsibility to verify the accuracy of the fee calculation. We receive no transaction fees or brokerage commissions from managed accounts.

Account Reviews

Client accounts are reviewed on a monthly basis. Companies we invest in are reviewed continually. We do not prepare regular monthly reports for clients -- the broker/dealers and trust companies that serve as custodians handle this responsibility. We prepare quarterly summaries, including cost basis information, for our clients.

Trading

Unless otherwise directed by the client, we have discretion to direct client trades to brokerage firms of our choosing, even if a different brokerage firm serves as custodian of the account. For instance, we may direct a trade to Merrill Lynch Institutional, even though Charles Schwab and Co., Inc. serves as the custodian. The trade may cost more per share in commission than the custodian would charge, but may benefit from superior execution. Custodians usually charge a service fee of \$25.00 for a "trade away." We have no soft dollar relationships. Our portfolio management software is purchased from Schwab Performance Technologies, a division of Charles Schwab & Co., Inc. The annual maintenance fee we pay to Schwab Performance Technologies is discounted in some years, which could be considered an incentive to direct trades to Schwab.

Clients who direct where their account shall trade may forgo savings we can negotiate elsewhere, in particular by participating in block trades that benefit from volume discounts. Commission disparities can be substantial between client-directed and advisor-negotiated brokerage. Also, in cases in which we are buying or selling a security for all of our accounts, it may be necessary to trade at numerous different custodians. It is not possible to submit all orders at the exact same time. Directed brokerage accounts may be traded last. There could be a conflict of interest between our interest in receiving client referrals from brokerage firms as opposed to our clients' interest in receiving discounted commissions and the best executions. Other registered investment advisors may share fees with us in return for referring accounts, and registered representatives may be paid referral fees for referring clients to us.

We will sometimes aggregate many small orders into one large block order. If the entire large order is executed in one day at different execution prices at any one particular brokerage firm, we will ask that brokerage firm to average the execution prices. Then, the order is allocated out to our clients at the averaged price, so that all clients get the same price. If the entire order is not executed in one day, we fill suborders randomly so that over the long term all clients are treated equally.

It is typical that we buy or sell the same securities for ourselves as for our clients. To paraphrase Warren Buffett, we eat our own cooking. The potential conflict of interest is limited because the securities are widely held and publicly traded and we typically hold issues for years, as opposed to speculatively trading them. Sometimes we will execute trades for the accounts of our firm, its employees, and employee families in the same trading session as client orders. When this occurs, these trades will either participate in the same block as client trades or will be executed after client trades are completed.

Referrals

We have no existing relationships with outside solicitors, brokers, and/or custodians that refer clients to us. We have no existing cases in which we direct trades that generate commissions to a broker that refers clients to us. In the future, it is possible that registered representatives may be paid referral fees for referring clients to us.

Disciplinary Information

Our company and personnel seek to maintain the highest level of business professionalism, integrity, and ethics. We do not have any disciplinary information to disclose.

Privacy Policy

Employees shall preserve the confidentiality of information communicated by clients and prospects, contents of account statements, and actions taken in accounts. There shall be no disclosure of client information to any party outside of Quality Growth Management, Inc., unless 1) required by law or subpoena or 2) needed by firms that execute trades for that particular client account and/or are the custodian of securities for that account.

Investment decisions of Quality Growth Management, Inc. shall also be held as confidential, and can only be disclosed to 1) clients, 2) brokers, in the process of executing trades, and 3) companies in which our clients own positions.

Deposits of Checks and Securities

Clients must send deposits of checks or securities directly to their custodian broker or bank, not to us.

Proxy Voting

We will vote proxies if so requested in writing by the client.

Financial Condition of Advisor

Quality Growth Management, Inc. has no financial issues which could impair its ability to meet contractual commitments to its clients. It has never been the subject of a bankruptcy petition.

Regulatory Statement

This statement has not been approved or endorsed by the United State Securities and Exchange Commission or any other regulatory body. The SEC does not endorse our training, ethics, or abilities.

Appendix: The CFA Charter Financial Advisor Statement for SEC Form ADV

The Chartered Financial Analyst (CFA) charter is a globally respected, graduate-level investment credential established in 1962 and awarded by CFA Institute — the largest global association of investment professionals.

There are currently more than 90,000 CFA charterholders working in 135 countries. To earn the CFA charter, candidates must: 1) pass three sequential, six-hour examinations; 2) have at least four years of qualified professional investment experience; 3) join CFA Institute as members; and 4) commit to abide by, and annually reaffirm, their adherence to the CFA Institute Code of Ethics and Standards of Professional Conduct.

High Ethical Standards

The CFA Institute Code of Ethics and Standards of Professional Conduct, enforced through an active professional conduct program, require CFA charterholders to:

- Place their clients' interests ahead of their own
- Maintain independence and objectivity
- Act with integrity
- Maintain and improve their professional competence
- Disclose conflicts of interest and legal matters

Global Recognition

Passing the three CFA exams is a difficult feat that requires extensive study (successful candidates report spending an average of 300 hours of study per level). Earning the CFA charter demonstrates mastery of many of the advanced skills needed for investment analysis and decision making in today's quickly evolving global financial industry. As a result, employers and clients are increasingly seeking CFA charterholders—often making the charter a prerequisite for employment.

Additionally, regulatory bodies in 19 countries recognize the CFA charter as a proxy for meeting certain licensing requirements, and more than 125 colleges and universities around the world have incorporated a majority of the CFA Program curriculum into their own finance courses.

Comprehensive and Current Knowledge

The CFA Program curriculum provides a comprehensive framework of knowledge for investment decision making and is firmly grounded in the knowledge and skills used every day in the investment profession. The three levels of the CFA Program test a proficiency with a wide range of fundamental and advanced investment topics, including ethical and professional standards, fixed-income and equity analysis, alternative and derivative investments, economics, financial reporting standards, portfolio management, and wealth planning.

The CFA Program curriculum is updated every year by experts from around the world to ensure that candidates learn the most relevant and practical new tools, ideas, and investment and wealth management skills to reflect the dynamic and complex nature of the profession.

To learn more about the CFA charter, visit www.cfainstitute.org.