

# Disclosure Brochure

March 20, 2012



465 South Street  
Morristown, NJ 07960

(973) 206-7100

[www.mdegroup.com](http://www.mdegroup.com)

This brochure provides information about the qualifications and business practices of The MDE Group, Inc. (hereinafter "The MDE Group"). If you have any questions about the contents of this brochure, please contact Emil Coscarelli at (973) 206-7100. 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 MDE Group is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

The MDE Group is an SEC registered investment adviser. Registration does not imply any level of skill or training.

## Item 2. Material Changes

In this Item, The MDE Group is required to discuss the material changes which have been made to the Disclosure Brochure since the last annual update on March 31, 2011.

### **Affiliated Registered Investment Adviser**

---

Risk 3.0 Asset Management, LLC is an independent SEC registered investment adviser under common control with The MDE Group and has been in business since June 2011 (hereinafter "*Risk 3.0*"). *Risk 3.0* provides sub-advisory services to other investment advisory firms primarily through the use of its three proprietary strategies: (i) Planned Return Strategy<sup>®</sup>, (ii) Accelerated Return Strategy<sup>®</sup>, and (iii) Third Rail Strategy<sup>®</sup>. These strategies are exchange-traded fund ("ETF") strategies which utilize options in an effort to enhance portfolio returns and/or buffer downside, and are offered in a separately managed account format.

A number of The MDE Group's *Supervised Persons* (as defined below) also serve in the same or similar capacity for *Risk 3.0*. The MDE Group has engaged *Risk 3.0* to provide investment management services to its clients through a sub-advisory relationship. Under this arrangement, *Risk 3.0* is paid directly by The MDE Group pursuant to the terms and conditions of the *Agreement* (as defined below).

As such, Item 10 of the Disclosure Brochure has been revised to disclose this affiliation.

### **Dissolution of the Alternative Fund**

---

The MDE Group no longer serves as the investment adviser to The Alternative Fund LLC ("*The Alternative Fund*"), an investment limited liability company which the firm formerly managed under a performance based compensation arrangement. Therefore, Items 4 through 6 have been revised to remove all discussion of *The Alternative Fund*.

## Item 3. Table of Contents

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 .....	7
Item 6.	Performance-Based Fees and Side-by-Side Management .....	10
Item 7.	Types of Clients.....	11
Item 8.	Methods of Analysis, Investment Strategies and Risk of Loss .....	12
Item 9.	Disciplinary Information.....	16
Item 10.	Other Financial Industry Activities and Affiliations .....	17
Item 11.	Code of Ethics .....	18
Item 12.	Brokerage Practices .....	19
Item 13.	Review of Accounts.....	22
Item 14.	Client Referrals and Other Compensation .....	23
Item 15.	Custody .....	24
Item 16.	Investment Discretion.....	25
Item 17.	Voting Client Securities .....	26
Item 18.	Financial Information .....	27

## Item 4. Advisory Business

Since November 1987, The MDE Group has been in business as a registered investment adviser. Founded by its Chief Executive Officer, Mitchell D. Eichen, the firm seeks to guide its clients through the lifecycle of wealth creation, wealth management, and intergenerational wealth transfer.

The MDE Group provides financial planning, consulting, tax preparation, and asset management services to its clients. Prior to engaging The MDE Group to provide any investment advisory services, the client is required to enter into one or more written agreements with The MDE Group setting forth the terms and conditions under which The MDE Group renders its services (collectively the “*Agreement*”).

As of December 31, 2011, The MDE Group had \$1,299,199,052 in assets under management, all of which was managed on a discretionary basis.

This Disclosure Brochure describes the business of The MDE Group. Certain sections will also describe the activities of *Supervised Persons*. *Supervised Persons* are any of The MDE Group’s officers, partners, directors (or other persons occupying a similar status or performing similar functions), or employees, or any other person who provides investment advice on The MDE Group’s behalf and is subject to The MDE Group’s supervision or control.

### Financial Planning and Consulting Services

---

The MDE Group may provide its clients with a broad range of comprehensive financial planning and consulting services. The firm works to lead each of its clients through the firm’s holistic planning process in an organized series of steps. Specific disciplines addressed in the planning process include:

- Family governance
- Compensation and benefits
- Income tax minimization
- Cash flow planning
- Net worth analysis
- Education/goal planning
- Portfolio monitoring and reporting
- Long-term retirement planning
- Estate planning
- Charitable giving
- Risk exposure analysis & management
- Asset allocation planning
- Portfolio design

In performing its services, The MDE Group is not required to verify any information received from the client or from the client’s other professionals (e.g., attorney, accountant, etc.) and is expressly authorized to rely on such information. The MDE Group may recommend the services of itself and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists if The MDE Group recommends its own services. The client is under no obligation to act upon any of the recommendations made by The MDE Group under a financial planning or consulting engagement or to

engage the services of any such recommended professional, including The MDE Group itself. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any of The MDE Group's recommendations. Clients are advised that it remains their responsibility to promptly notify The MDE Group if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating, or revising The MDE Group's previous recommendations and/or services.

### **Investment Management Services**

---

Clients can engage The MDE Group to manage all or a portion of their assets on a discretionary basis. As detailed in Item 8, The MDE Group primarily allocates clients' investment management assets among *Independent Managers* (as defined below), mutual funds, exchange-traded funds ("ETFs"), individual debt and equity securities, options, and/or investment limited partnerships in accordance with the investment objectives of the client. However, The MDE Group may provide advice about any type of investment held in clients' portfolios.

The MDE Group also may render non-discretionary investment management services to clients relative to variable life/annuity products that they may own, their individual employer-sponsored retirement plans, and/or 529 plans or other products that may not be held by the client's primary custodian. In so doing, The MDE Group either directs or recommends the allocation of client assets among the various investment options that are available with the product. Client assets are maintained at the specific insurance company or custodian designated by the product.

The MDE Group tailors its advisory services to the individual needs of clients. The MDE Group consults with clients initially and on an ongoing basis to determine risk tolerance, time horizon and other factors that may impact the clients' investment needs. The MDE Group ensures that clients' investments are suitable for their investment needs, goals, objectives and risk tolerance.

Clients are advised to promptly notify The MDE Group if there are changes in their financial situation or investment objectives or if they wish to impose any reasonable restrictions upon The MDE Group's management services. Clients may impose reasonable restrictions or mandates on the management of their account (e.g., require that a portion of their assets be invested in socially responsible funds) if, in The MDE Group's sole discretion, the conditions will not materially impact the performance of a portfolio strategy or prove overly burdensome to its management efforts.

### **Use of Independent Managers**

---

As mentioned above, The MDE Group recommends that certain clients authorize the active discretionary management of a portion of their assets by and/or among certain independent investment managers ("*Independent Managers*"), based upon the stated investment objectives of the client. The terms and conditions under which the client engages the *Independent Managers* are set forth in a separate written agreement between The MDE Group or the client and the designated *Independent Managers*. The MDE

## The MDE Group, Inc. Disclosure Brochure

Group renders services to the client relative to the discretionary selection of *Independent Managers*. The MDE Group also monitors and reviews the account performance and the client's investment objectives. The MDE Group receives an annual advisory fee which is based upon a percentage of the market value of the assets being managed by the designated *Independent Managers*.

When selecting an *Independent Manager* for a client, The MDE Group reviews information about the *Independent Manager* such as its disclosure brochure and/or material supplied by the *Independent Manager* or independent third parties for a description of the *Independent Manager's* investment strategies, past performance and risk results to the extent available. Factors that The MDE Group considers in recommending an *Independent Manager* include the client's stated investment objectives, management style, performance, reputation, financial strength, reporting, pricing, and research. The investment management fees charged by the designated *Independent Managers*, together with the fees charged by the corresponding designated broker-dealer/custodian of the client's assets, may be exclusive of, and in addition to, The MDE Group's investment advisory fee set forth above. As discussed above, the client may incur additional fees than those charged by The MDE Group, the designated *Independent Managers*, and corresponding broker-dealer and custodian.

In addition to The MDE Group's written disclosure brochure, the client also receives the written disclosure brochure of the designated *Independent Managers*. Certain *Independent Managers* may impose more restrictive account requirements and varying billing practices than The MDE Group.

## Item 5. Fees and Compensation

The MDE Group offers its services on a fee basis, which may include fixed fees, as well as fees based upon assets under management or the performance of the client's portfolio.

### Financial Planning and Consulting Fees

---

The MDE Group may charge a fixed fee financial planning, consulting services, and tax prep fees. These fees are negotiable, but generally range from \$5,000 to \$15,000 on a fixed fee basis, depending upon the level and scope of the services and the professional rendering the financial planning and/or the consulting services. If the client engages The MDE Group for additional investment advisory services, the firm, in its sole discretion, may offset all or a portion of its fees for those services based upon the amount paid for the financial planning and/or consulting services. There is a separate charge for tax preparation services.

### Investment Management Fees

---

The MDE Group provides investment management services for an annual fee based upon a percentage of the market value of the assets being managed by The MDE Group. The MDE Group's annual fee is exclusive of, and in addition to brokerage commissions, transaction fees, and other related costs and expenses which are incurred by the client. The firm does not, however, receive any portion of these commissions, fees, and costs. The MDE Group's annual fee is prorated and charged quarterly, in arrears, based upon the average market value of the assets being managed by The MDE Group during the previous quarter. The annual fee varies up to 1.20%, depending upon the market value of the assets under management and the type of investment management services to be rendered.

To the extent requested by a client, The MDE Group may aggregate all of a client's assets (including assets not managed by The MDE Group) onto its quarterly statements. For doing so, The MDE Group charges an additional 0.10% of the value of the client's assets under management.

### Fee Discretion

---

The MDE Group, in its sole discretion, may negotiate to charge a lesser management fee based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, *pro bono* activities, etc.).

### Fees Charged by Financial Institutions

---

As further discussed in response to Item 12 (below), The MDE Group generally recommends that clients utilize the brokerage and clearing services of Fidelity Institutional Wealth Services ("*Fidelity*") for investment management accounts.

## The MDE Group, Inc. Disclosure Brochure

The MDE Group may only implement its investment management recommendations after the client has arranged for and furnished The MDE Group with all information and authorization regarding accounts with appropriate financial institutions. Financial institutions include, but are not limited to, *Fidelity*, any other broker-dealer recommended by The MDE Group, broker-dealer directed by the client, trust companies, banks etc. (collectively referred to herein as the “*Financial Institutions*”).

Clients may incur certain charges imposed by the *Financial Institutions* and other third parties such as fees charged by *Independent Managers* (as defined below), custodial fees, charges imposed directly by a mutual fund or ETF in the account, which are disclosed in the fund’s prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Additionally, for assets outside of any wrap fee programs, clients may incur brokerage commissions and transaction fees. Such charges, fees and commissions are exclusive of and in addition to The MDE Group’s fee.

The MDE Group’s *Agreement* and the separate agreement with any *Financial Institutions* may authorize The MDE Group or *Independent Managers* to debit the client’s account for the amount of The MDE Group’s fee and to directly remit that management fee to The MDE Group or the *Independent Managers*. Any *Financial Institutions* recommended by The MDE Group have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to The MDE Group. Alternatively, clients may elect to have The MDE Group send an invoice for payment.

### **Fees for Management During Partial Quarters of Service**

---

For the initial period of investment management services, the fees are calculated on a *pro rata* basis.

The *Agreement* between The MDE Group and the client will continue in effect until terminated by either party pursuant to the terms of the *Agreement*. The MDE Group’s fees are prorated through the date of termination and any remaining balance is charged or refunded to the client, as appropriate.

Clients may make additions to and withdrawals from their account at any time, subject to The MDE Group’s right to terminate an account that falls below its minimum portfolio size. Additions may be in cash or securities provided that The MDE Group reserves the right to liquidate any transferred securities or decline to accept particular securities into a client’s account. Clients may withdraw account assets on notice to The MDE Group, subject to the usual and customary securities settlement procedures. However, The MDE Group designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client’s investment objectives. The MDE Group may consult with its clients about the options and ramifications of transferring securities. However, clients are advised that when transferred securities are liquidated, they are subject to market valuation and may be subject to



## The MDE Group, Inc. Disclosure Brochure

transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications.

## **Item 6. Performance-Based Fees and Side-by-Side Management**

The MDE Group does not provide any services for a performance-based fee (i.e., a fee based upon capital appreciation achieved in an account).

## Item 7. Types of Clients

The MDE Group generally provides its services to individuals. However, the firm may also provide advice to pension and profit sharing plans, trusts, estates, charitable organizations, corporations and business entities.

### Minimum Account Size

---

As a condition for starting and maintaining a relationship, The MDE Group generally imposes a minimum portfolio size of \$3,000,000. The MDE Group, in its sole discretion, may 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. The MDE Group only accepts clients with less than the minimum portfolio size if, in the sole opinion of The MDE Group, the smaller portfolio size will not cause a substantial increase of investment risk beyond the client's identified risk tolerance. The MDE Group may aggregate the portfolios of family members to meet the minimum portfolio size.

### Minimum Annual Fee

---

When The MDE Group does waive its minimum portfolio size, the firm generally imposes a minimum annual fee of \$10,000. This minimum fee may have the effect of making The MDE Group's service impractical for clients with smaller investment portfolios. The MDE Group, in its sole discretion, may waive its minimum annual fee based upon certain criteria including anticipated future earning capacity, anticipated future additional assets, account composition, related accounts, and pre-existing clients.

Additionally, certain *Independent Managers* may impose more restrictive account requirements and varying billing practices than The MDE Group.

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

### Financial Planning, Investment Strategies & Methods of Analysis

---

#### *Financial Planning*

The MDE Group may provide its clients with a broad range of comprehensive financial planning and consulting services. The firm works to lead each of its clients through the firm's holistic planning process in an organized series of steps. Specific disciplines addressed in the planning process include:

- Family governance
- Compensation and benefits
- Income tax minimization
- Cash flow planning
- Net worth analysis
- Education/goal planning
- Long-term retirement planning
- Estate planning
- Charitable giving
- Risk exposure analysis & management
- Asset allocation planning
- Portfolio design
- Portfolio monitoring and reporting

#### *Asset Management*

Clients who engage the firm for asset management services have a variety of different options. The MDE Group's Risk 3.0™ portfolio program seeks to provide clients with access to several investment strategies in a variety of asset classes. The firm's Risk First™ approach aims to maximize the liquidity, transparency, tax efficiency, and adaptability of its portfolios while preserving wealth and delivering attractive return potential. Rather than focus on traditional asset allocation techniques, The MDE Group diversifies across risk exposures and place risk first in building client portfolios designed for the new market realities of weak growth, continued volatility, and periodic crisis.

The firm's assessment management process includes an open-architecture investment platform of managers and strategies. The MDE Group evaluates investment opportunities, and seeks to identify market voids with the goal of developing unique solutions for its clients. The MDE Group builds portfolios diversified across multiple risk exposures (e.g., equity market risk, credit risk, duration risk, currency risk, global macro risk, liquidity risk, etc.). As the firm's market outlook changes, it adapts risk exposure allocations with the goal of ensuring that clients continue to meet their financial goals.

#### *Separate account management*

This investment vehicle offers the flexibility of direct security ownership relative to the firm's efforts to customize strategies for its clients, harvest losses, etc. In addition, The MDE Group seeks to employ the leverage of an institutional investor to negotiate favorable manager fee rates for its investors.

The MDE Group also uses mutual funds and other securities to supplement separate accounts where appropriate. The MDE Group may employ these securities to access strategies for smaller allocations or where a given strategy is otherwise unavailable to its investors. Mutual funds may also be used for tactical allocations due to the ease of trading funds and the liquidity associated with mutual funds relative to commitments to separately managed accounts or other investment vehicles.

### *Alternative Investments*

The MDE Group is also committed to a more client-centric model of alternative investing. Where appropriate, the firm offers access to hedge funds and funds of funds with a special focus on transparency, liquidity, and low fees. The MDE Group's goal relative to this allocation is to further diversify portfolios with non-correlated strategies to reduce overall volatility.

### *Active Tax Management and Loss Harvesting*

The MDE Group subscribes to the thinking that it's not what investors earn, but what they keep that is important. For this reason, The MDE Group strives to be tax aware in its manager selection and portfolio development process. In addition, the firm may actively harvest losses where opportunities exist in an effort to create tax advantages for clients.

### *Ongoing Portfolio Monitoring*

The MDE Group's Investment Committee continues to monitor client portfolios relative to changing circumstances and the achievement of the clients' goals and objectives. The MDE Group also employs a comprehensive process of quantitative and qualitative due diligence to proactively hire and fire *Independent Managers*. The firm has a bias against making rash decisions to fire managers for short periods of underperformance, but *Independent Managers* not meeting the firm's expectations will ultimately be replaced.

## **Risks of Loss**

---

### *Mutual Funds and ETFs*

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day,

although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to NAV.

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. 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).

### *Options*

Options allow investors to buy or sell a security at a contracted "strike" price (not necessarily the current market price) at or within a specific period of time. Clients may pay or collect a premium for buying or selling an option. Investors transact in options to either hedge (limit) losses in an attempt to reduce risk or to speculate on the performance of the underlying securities. Options transactions contain a number of inherent risks, including the partial or total loss of principal in the event that the value of the underlying security or index does not increase/decrease to the level of the respective strike price. Holders of options contracts are also subject to default by the option writer which may be unwilling or unable to perform its contractual obligations.

### *Market Risks*

The profitability of a portion of The MDE Group's recommendations may depend to a great extent upon correctly assessing the future course of price movements of stocks and bonds. There can be no assurance that The MDE Group will be able to predict those price movements accurately.

### *Use of Independent Managers*

The MDE Group may recommend the use of *Independent Managers* for certain clients. The MDE Group will continue to do ongoing due diligence of such managers, but such recommendations rely, to a great extent, on the *Independent Managers* ability to successfully implement their investment strategy.

### *Use of Private Collective Investment Vehicles*

The MDE Group may recommend the investment by certain clients in privately placed collective investment vehicles (some of which may be hedge funds or funds of funds). The managers of these vehicles will have broad discretion in selecting the investments. There are few limitations on the types of

securities or other financial instruments which may be traded and no requirement to diversify. The hedge funds may trade on margin or otherwise leverage positions, thereby potentially increasing the risk to the vehicle. In addition, because the vehicles are not registered as investment companies, there is an absence of regulation. There are numerous other risks in investing in these securities. The client will receive a private placement memorandum and/or other documents explaining such risks.

### *Management Through Similarly Managed Accounts*

For certain clients, The MDE Group may manage portfolios by allocating portfolio assets among various mutual funds or other securities on a discretionary basis using one or more of its proprietary investment strategies (collectively referred to as “*investment strategy*”). In so doing, The MDE Group buys, sells, exchanges and/or transfers shares of mutual funds or other securities based upon the *investment strategy*.

The MDE Group’s management using the *investment strategy* complies with the requirements of Rule 3a-4 of the Investment Company Act of 1940, as amended. Rule 3a-4 provides similarly managed accounts, such as the *investment strategy*, with a safe harbor from the definition of an investment company.

The *investment strategy* may involve an above-average portfolio turnover that could negatively impact upon the net after-tax gain experienced by an individual client. Securities in the *investment strategy* are usually exchanged and/or transferred without regard to a client’s individual tax ramifications. Certain investment opportunities that become available to The MDE Group’s clients may be limited. As further discussed in response to Item 12 (below), The MDE Group allocates investment opportunities among its clients on a fair and equitable basis.

### *General Risk of Loss*

Investing in securities involves the risk of loss. Clients should be prepared to bear such loss.

### **Item 9. Disciplinary Information**

The MDE Group is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management. The MDE Group does not have any required disclosures to this Item.



### Item 10. Other Financial Industry Activities and Affiliations

The MDE Group is required to disclose any relationship or arrangement that is material to its advisory business or to its clients with certain related persons.

#### **Affiliated Registered Investment Adviser**

---

The MDE Group is under common control with Risk 3.0 Asset Management, LLC (CRD No. 156942), an SEC registered investment adviser which maintains the same principal place of business as The MDE Group (hereinafter “*Risk 3.0*”). *Risk 3.0* provides sub-advisory services to other investment advisory firms primarily through the use of its three proprietary strategies: (i) Planned Return Strategy<sup>®</sup>, (ii) Accelerated Return Strategy<sup>®</sup>, and (iii) Third Rail Strategy<sup>®</sup>. These strategies are ETF strategies which utilize options in an effort to enhance portfolio returns and/or buffer downside, and are offered in a separately managed account format.

A number of The MDE Group’s *Supervised Persons* also serve in the same or similar capacity for *Risk 3.0*. The MDE Group has engaged *Risk 3.0* to provide investment management services to its clients through a sub-advisory relationship. Under this arrangement, *Risk 3.0* is paid directly by The MDE Group pursuant to the terms and conditions of the *Agreement*.

### Item 11. Code of Ethics

The MDE Group and persons associated with The MDE Group (“Associated Persons”) are permitted to buy or sell securities that it also recommends to clients consistent with The MDE Group’s policies and procedures.

The MDE Group has adopted a code of ethics that sets forth the standards of conduct expected of its associated persons and requires compliance with applicable securities laws (“*Code of Ethics*”). In accordance with Section 204A of the Investment Advisers Act of 1940 (the “Advisers Act”), its *Code of Ethics* contains written policies reasonably designed to prevent the unlawful use of material non-public information by The MDE Group or any of its associated persons. The *Code of Ethics* also requires that certain of The MDE Group’s personnel (called “*Access Persons*”) report their personal securities holdings and transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings.

Unless specifically permitted in The MDE Group’s *Code of Ethics*, none of The MDE Group’s *Access Persons* may effect for themselves or for their immediate family (i.e., spouse, minor children, and adults living in the same household as the *Access Person*) any transactions in a security which is being actively purchased or sold, or is being considered for purchase or sale, on behalf of any of The MDE Group’s clients.

When The MDE Group is purchasing or considering for purchase any security on behalf of a client, no *Access Person* may effect a transaction in that security prior to the completion of the purchase or until a decision has been made not to purchase such security. Similarly, when The MDE Group is selling or considering the sale of any security on behalf of a client, no *Access Person* may effect a transaction in that security prior to the completion of the sale or until a decision has been made not to sell such security. These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers’ acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

Clients and prospective clients may contact The MDE Group to request a copy of its *Code of Ethics*.

## Item 12. Brokerage Practices

As discussed above, in Item 5, The MDE Group generally recommends that clients utilize the brokerage and clearing services of *Financial Institutions*.

Factors which The MDE Group considers in recommending *Financial Institutions* or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. The *Financial Institutions* enable The MDE Group to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. In addition, *Financial Institutions* provide support to The MDE Group's internal operations group with the goal of reducing errors and maintenance of account data, data downloads and support relative to the maintenance of the firm's portfolio management system. The commissions and/or transaction fees charged by *Financial Institutions* may be higher or lower than those charged by other *Financial Institutions*.

The commissions paid by The MDE Group's clients comply with The MDE Group's duty to obtain "best execution." Clients may pay commissions that are higher than another qualified *Financial Institution* might charge to effect the same transaction where The MDE Group determines that the commissions are reasonable in relation to the value of the brokerage and research services received. 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 *Financial Institution's* services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. The MDE Group seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

Transactions may be cleared through other *Financial Institutions* with whom The MDE Group and the *Financial Institutions* have entered into agreements for prime brokerage clearing services. The MDE Group periodically and systematically reviews its policies and procedures regarding its recommendation of *Financial Institutions* in light of its duty to obtain best execution.

The client may direct The MDE Group in writing to use a particular *Financial Institution* to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that *Financial Institution*, and The MDE Group will not seek better execution services or prices from other *Financial Institutions* or be able to "batch" client transactions for execution through other *Financial Institutions* with orders for other accounts managed by The MDE Group (as described below). As a result, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, The MDE Group may decline a client's request to direct brokerage if, in The MDE Group's sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

Transactions for each client generally will be effected independently, unless The MDE Group decides to purchase or sell the same securities for several clients at approximately the same time. The MDE Group

may (but is not obligated to) combine or “batch” such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among The MDE Group’s clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among The MDE Group’s clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that The MDE Group determines to aggregate client orders for the purchase or sale of securities, including securities in which The MDE Group’s *Supervised Persons* may invest, The MDE Group generally does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. The MDE Group does not receive any additional compensation or remuneration as a result of the aggregation. In the event that The MDE Group determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account’s assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a *de minimis* allocation in one or more accounts, The MDE Group may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker-dealers in return for investment research products and/or services, such as the CCH tax service, Bloomberg, FT Interactive, PerTrac and Morningstar, which assist The MDE Group in its investment decision-making process. Such research generally will be used to service all of the firm’s clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client’s portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because The MDE Group does not have to produce or pay for the products or services.

### **Receipt of Soft Dollars**

---

In addition to the research services described above, The MDE Group may be offered certain services by broker-dealers and custodians that it may engage to execute securities transactions on behalf of clients. These services may include the payment of all or a portion of clients’ or The MDE Group’s administrative

costs and expenses of operation, such as marketing expenses, portfolio management software, Advent, and other reasonable expenses as determined by The MDE Group. The availability of these benefits may influence the firm to select one broker or custodian rather than another to perform services for clients. Nevertheless, The MDE Group will assure either that the fees and costs for services provided to clients by brokers or custodians offering these benefits are not materially greater than they would be if the services were performed by brokers not offering these services. These services may fall outside the safe harbor provided in section 28(e) of the Securities Exchange Act of 1934, as amended.

The use of brokerage commissions to obtain research products and/or other services and to pay for other non-research services creates a conflict of interest because clients pay for such products and services that are not exclusively for the benefit of clients and may be primarily or exclusively for the benefit of The MDE Group.

### **Software and Support Provided by Financial Institutions**

---

In addition to the research products and/or services discussed above, The MDE Group may also receive from *Fidelity*, or other custodians, without cost, computer software, related systems support and other services. The MDE Group may receive the software, related support and other services without cost because the firm renders asset management services to clients that, in the aggregate, maintain a certain level of assets at *Fidelity* or other custodians. Clients should be aware that The MDE Group's receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits may influence The MDE Group's choice of custodian over another custodian that does not furnish similar software, systems support, or services.

The MDE Group may receive the following benefits from *Fidelity* or other custodians: receipt of duplicate client confirmations and bundled duplicate statements; access to a designated trading desks institutional participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; and access to an electronic communication network for client order entry and account information.

In addition, The MDE Group receives from *Fidelity* the following: (i) financial support for Advent related software and (ii) financial support for The MDE Group to use research, marketing, and other services. The MDE Group will only accept these services when it feels that *Fidelity* represent best execution and where The MDE Group believes that the recommendation to use *Fidelity* at the rates negotiated is in the best interest of its clients per the firm's fiduciary duty to its clients.

### Item 13. Review of Accounts

For those clients to whom The MDE Group provides investment management services, The MDE Group monitors those portfolios as part of an ongoing process while regular account reviews are conducted on at least a quarterly basis. For those clients to whom The MDE Group provides financial planning and/or consulting services, reviews are conducted on an “as needed” basis. Such reviews are conducted by one of The MDE Group’s investment adviser representatives. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with The MDE Group and to keep The MDE Group informed of any changes thereto. The MDE Group contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client’s financial situation and/or investment objectives.

Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for the client accounts. Those clients to whom The MDE Group provides investment advisory services will also receive a report from The MDE Group that may include such relevant account and/or market-related information such as an inventory of account holdings and account performance on a quarterly basis. Clients should compare the account statements they receive from their custodian with those they receive from The MDE Group.

Those clients to whom The MDE Group provides financial planning and/or consulting services will receive reports from The MDE Group summarizing its analysis and conclusions as requested by the client or otherwise agreed to in writing by The MDE Group.

## Item 14. Client Referrals and Other Compensation

### Other Economic Benefit

---

The MDE Group may receive economic benefits from non-clients for providing advice or other advisory services to clients. This type of relationship poses a conflict of interest and any such relationship is disclosed in response to Item 12 (above).

### Client Referrals

---

The MDE Group does not provide compensation for third-party client referrals.

### Item 15. Custody

The MDE Group's *Agreement* and/or the separate agreement with any *Financial Institution* may authorize The MDE Group through such *Financial Institution* to debit the client's account for the amount of The MDE Group's fee and to directly remit that management fee to The MDE Group in accordance with applicable custody rules.

The *Financial Institutions* recommended by The MDE Group have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to The MDE Group. In addition, as discussed in Item 13, The MDE Group also sends periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the *Financial Institutions* and compare them to those received from The MDE Group.



### Item 16. Investment Discretion

The MDE Group is given the authority to exercise discretion on behalf of clients. The MDE Group is considered to exercise investment discretion over a client's account if it can effect transactions for the client without first having to seek the client's consent. The MDE Group is given this authority through a power-of-attorney included in the agreement between The MDE Group and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). The MDE Group may take discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold;
- When transactions are made;
- The *Financial Institutions* to be utilized; and
- The *Independent Managers* to be hired or fired.

### Item 17. Voting Client Securities

The MDE Group may vote client securities (proxies) on behalf of its clients. When The MDE Group accepts such responsibility, it will only cast proxy votes in a manner consistent with the best interest of its clients. Absent special circumstances, which are fully- described in The MDE Group's Proxy Voting Policies and Procedures, all proxies will be voted consistent with guidelines established and described in The MDE Group's Proxy Voting Policies and Procedures, as they may be amended from time-to-time. Clients may contact The MDE Group to request information about how The MDE Group voted proxies for that client's securities or to get a copy of The MDE Group's Proxy Voting Policies and Procedures. A brief summary of The MDE Group's Proxy Voting Policies and Procedures is as follows:

- The MDE Group will be responsible for making voting decisions in the best interest of clients and ensuring that proxies are submitted in a timely manner.
- Proxies will generally be voted according to The MDE Group's then current Proxy Voting Guidelines. The Proxy Voting Guidelines include many specific examples of voting decisions for the types of proposals that are most frequently presented, including: composition of the board of directors; approval of independent auditors; management and director compensation; anti-takeover mechanisms and related issues; changes to capital structure; corporate and social policy issues; and issues involving mutual funds.
- Although the Proxy Voting Guidelines are followed as a general policy, certain issues are considered on a case-by-case basis based on the relevant facts and circumstances. Since corporate governance issues are diverse and continually evolving, The MDE Group devotes an appropriate amount of time and resources to monitor these changes.
- Clients cannot direct The MDE Group's vote on a particular solicitation but can revoke The MDE Group's authority to vote proxies.

In situations where there may be a conflict of interest in the voting of proxies due to business or personal relationships that The MDE Group maintains with persons having an interest in the outcome of certain votes, The MDE Group takes appropriate steps to ensure that its proxy voting decisions are made in the best interest of its clients and are not the product of such conflict.

### Item 18. Financial Information

The MDE Group is not required to disclose any financial information pursuant to this Item due to the following:

- The Firm does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance;
- The Firm does not have a financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients; and
- The Firm has not been the subject of a bankruptcy petition at any time during the past ten years.



465 South Street  
Morristown, NJ 07960

(973) 206-7100

[www.mdegroupp.com](http://www.mdegroupp.com)

Prepared by:

