

Sather Financial Group

Wealth Managers

March 1, 2012

Sather Financial Group, Inc. Firm Overview

The goal of this overview is to provide information about the experience, qualifications and business practices of Sather Financial Group, Inc. If you have questions about this information, or anything else, please don't hesitate to contact us at 361-570-1800 or stop by our office at 120 E. Constitution, Victoria, Texas 77901. This overview has not been approved or verified by the Securities & Exchange Commission or any state securities authority.

In addition to our website (www.SatherFinancial.com), you can find information about our firm, and our staff at www.AdviserInfo.sec.gov

Table of Contents

1. Firm Overview
2. Our Approach
 - Warren Buffett
 - Ethics
3. Functioning As A Fiduciary
4. Assessing Investment Needs
5. Financial Planning Services
6. Team Approach
 - Dave Sather CFP, President
 - Warren Udd CFP
 - Cyndee Miller
 - Tammy Kimbrough, RP
 - Jon Zahradka, RP
7. Designations
8. Disciplinary History and Philosophy
9. Code of Ethics
 - Summary
 - Full Code of Ethics available upon request
 - Sather Financial personnel owning/trading in client owned securities
10. Fees & Compensation
 - Fee Only
 - Other Expenses
 - Performance Fees
 - Fee Payment
11. Investment Discretion and Brokerage Practices
 - Discretionary Authority--Delegation
 - Brokerage firm considerations
12. Custody
 - Assets held by third party
 - Statements and confirms sent directly by custodian
13. Voting Client Securities
14. Types of Clients
15. Account Reviews
16. Methods of Analysis, Investment Strategies and Risk of Loss
17. Research and Investment Decisions

1. Firm Overview

The Sather Financial Group, Inc. was founded by its owner, Dave Sather, in 1999 as a *“fee-only” investment management and financial planning firm*. We currently manage approximately \$265 million in negotiable securities for our clients as of March 1, 2012.

Although investment management is often the main attraction that brings clients to our firm, we have noticed that people who have significant assets also have a variety of financial planning needs. As such, our goal is to offer a more holistic approach to asset management.

2. Our Approach

Our investment approach has been crafted over the past twenty years by utilizing the strategies and philosophies that have made Warren Buffett successful. There are two reasons for this approach. First, Buffett has a well documented track record for success in knowing how to think about business and valuing assets. Secondly, Buffett sets a very high bar for ethical behavior. *Without a strong conviction about ethical behavior there is no reason for our firm to exist.*

3. Functioning As A Fiduciary

In offering services, *we serve as a fiduciary*. As such, we are legally obligated to do what is in our client’s best interest—and not just sell them a product. Although this brings with it tremendous responsibility, we welcome this as it clearly dictates what the goal is. The “fee-only” approach makes the most sense to us as it seems to reduce conflicts of interest and more closely aligns our goals with those of the clients.

4. Assessing Investment Needs

Our investment management strategies are broad as they may require a portfolio to generate high income or cash flow while others may be fully devoted to long term growth. The most important thing in assessing asset structure is always the needs of that particular client.

Much of the structure of a client portfolio will be dictated by:

- the amount of assets to invest
- the amount of cash flow (dividends/interest etc.) that a client may need
- the length of time the client can leave the funds alone
- anticipated client additions or withdrawals from their assets over time
- the clients tolerance for short, intermediate and longer term volatility

In assessing the needs of our clients we acknowledge that we are all individuals and therefore require individual attention. However, there are also many similarities among our clients and their assets. For instance, if we determine that a given security offers tremendous value it is quite likely that it will end up in many client portfolios. However, due to the uniqueness of our clients it does not mean that a given security will be in all portfolios.

Occasionally, clients will request that certain securities not be purchased for their accounts while other clients may direct their own purchases. This is fine with us as it is the client’s money. However, if the client restricts a security or directs their own trades it is quite likely that we will give our opinions as to the wisdom of the client’s decision.

5. Financial Planning Services

In addition, on a requested basis, we will offer planning input on topics such as:

- retirement (IRA’s, 401(k)’s, 403(b)’s, Profit Sharing plans, projections, funding, distributions, etc.)
- estate (wills, power of attorney, power of health care, trusts, family limited partnerships)
- taxes (tax consequences associated with different strategies and accounts)
- risk management (insurance relative to home, health, life, disability, auto, umbrella)
- other major assets (real estate, businesses, vehicles)

6. Team Approach

Unlike most brokerage operations, there is not one person assigned to the management of our client’s assets or needs. Instead, we all work on every account and relationship. This gives us the ability to double check each other’s work and if one of us is out of the office the service to that client does not diminish. Additionally, if one of us is dead or incapacitated, there is continuity of the client’s asset management.

• Dave Sather

Dave Sather is an Accredited Fiduciary Investment Manager™, a CERTIFIED FINANCIAL PLANNER™ and President of the Sather Financial Group, Inc.

Dave was raised in El Paso, received his B.A. in Business Management from Texas Lutheran University and received his M.B.A. from Texas A&M University. Additionally, Dave has completed The College For Financial Planning's CFP Professional Education Program and the Cannon Financial Institutes Trust Investment School. Furthermore, he holds the Group 1 Life & Health Insurance License and FINRA Series 65 license. He has spent the past twenty years in the financial analysis, investment and banking industries.

As team leader he is responsible for coordinating portfolio management and financial and strategy planning of a client's life. This strategy planning not only includes traditional fee-only investment management, but also estate, retirement, taxation and risk management planning.

In addition to his work as a CERTIFIED FINANCIAL PLANNER™, Dave teaches an internship on portfolio management at Texas Lutheran University. In recognition of his work, the Board of Regents at Texas Lutheran recognized Dave with the Distinguished Service Award.

Dave is also a Director of the Business Bank of Texas N.A. a member of the Executive Advisory Council at Texas Lutheran University, a member of the Victoria Estate Planning Council and is the past president and treasurer of First English Lutheran Church. He also serves on the Crosstrails Outdoor Ministry Endowment Board and the Southwestern Synod of the Evangelical Lutheran Church of America Investment Committee.

In his spare time, Dave writes a regular financial planning column entitled "Money Matters" for the Victoria Advocate.

He and his wife, Carol, live in Victoria.

- **Warren Udd**

Warren Udd is a CERTIFIED FINANCIAL PLANNER™. Warren is part of our research and portfolio management and financial planning team. Additionally, he is in charge of our operations and technology systems. He has been with Sather Financial since 2001.

Warren is the second oldest of four children, all of whom were raised in Mutare, Zimbabwe. Warren and his family were missionaries in Mutare.

After leaving Zimbabwe, Warren earned his Bachelor of Science degree in Business Administration at Southern Nazarene University in Bethany, Oklahoma. While in Oklahoma, he met Kristina Harden. Today, Warren and Kristina are married and have two daughters, Sara and Katie.

Warren has completed the College For Financial Planning Professional Education Program and holds the CERTIFIED FINANCIAL PLANNER™ designation as well as the Group 1 Life & Health Insurance License. He is also a member of the Victoria Area Estate Planning Council and serves on the Finance Committee at Northside Baptist Church.

- **Cyndee Miller**

Cyndee Miller is the office manager for the Sather Financial Group Inc. As such, she is the heart of initial client communications and routing of operational needs for our clients. She has been with Sather Financial since 2000.

Cyndee graduated from Calallen High School in Corpus Christi, Texas and is working towards her Registered Para Planner designation through the College For Financial Planning.

Cyndee brings more than fifteen years of experience to Sather Financial Group Inc. from the banking, investment and insurance industries.

She has one daughter, Hailey.

- **Tammy Kimbrough**

Tammy has been with Sather Financial since 2009, but brings tremendous industry experience to us.

Tammy graduated from Belton High School in Belton, Texas. She currently holds FINRA Series 7, Series 63, Series 66 and Series 31 licenses. Tammy has also earned her Registered Para Planner designation through the College For Financial Planning.

Tammy brings twenty years of experience working with a variety of major investment firms as well as local investment advisors.

She and her husband Clent have three children, Autumn, Morgan and Garrett.

- **Jon Zahradka**

Jon joined Sather Financial in January of 2011, but interned for the firm for a year and a half prior to that.

Jon graduated from Samuel Clemens High School in Schertz, Texas and earned both a BBA and a BS in Accounting from Texas Lutheran University. Furthermore, Jon has earned the FINRA Series 65 license and the Registered Para Planner designation through the College for Financial Planning.

Jon coordinates our research efforts.

Jon and his wife Kayla live in Schertz.

7. Designations

The “designation game” has reached prolific heights. Many in the financial industry know that clients look to designations as a way to identify competency and value. Unfortunately, many licenses and designations are truly designed just to help sell a product.

Our approach has been quite a bit different. Both Warren and Dave have the CERTIFIED FINANCIAL PLANNER™ designation. In our opinion, this designation truly indicates knowledge and experience—and not just a clever ploy to sell a product.

The CFP® designation is considered the gold standard in the industry—and with good reason. To earn this distinction an individual must pass four hour exams in insurance, investments, taxation, retirement planning and estate planning. Once all five of these four hour exams have been successfully completed a candidate is qualified to take a two day, ten hour comprehensive exam.

Once the comprehensive exam is successfully passed a candidate must still pass an ethics background check and have three years of industry experience.

For these reasons, we think that this designation truly gives us the skill set to help our clients, as opposed to just selling them a product.

8. Disciplinary History and Philosophy

No one on our staff currently has, or has ever had, any complaints or other legal or disciplinary events.

We aspire to the same ethical standards as Warren Buffett. Buffett has a couple of well stated comments on ethics. First, he says you should not do anything you would not want printed on the front page of the newspaper. Secondly, he states that it takes a lifetime to build a reputation and minutes to destroy it.

Given Buffett’s philosophies on business and ethics, we take a very hard stand on making sure our clients’ needs are put first.

Since the beginning of our firm, no one individual or the firm as a whole has ever had a legal or disciplinary event.

Although we strive to produce competent financial services, we are most proud of putting our ethical standards at the highest levels.

9. Code of Ethics

In a nutshell, our Code of Ethics states:

- We are fiduciaries and therefore must put the needs of our clients first and foremost.
- We must avoid conflicts of interest.
- We will not disclose private information.
- We must satisfy standards of personal conduct.
- When trading for ourselves, we must assure that our clients receive the same, or better, pricing.
- Transparency and disclosure must be maintained on securities we own and trade.

. We are pleased to provide a full copy of our Code of Ethics to any client or prospective client who requests it.

We believe in “eating our own cooking.” As such, it is quite typical that if we are adding a certain security in a clients portfolio that we may buy that same security for our own portfolios. However, if we do trade in the same security on the same day we are required to make sure the client receives the same price as we do, or better pricing.

Obviously, the goal is to not shortchange our clients. We want them to get the better end of the deal.

10. Fees & Compensation

Sather Financial Group earns its compensation by providing investment advisory and financial planning services. Fees are earned for a percentage of assets under management. Investment management services fees are as follows:

<u>Assets Under Management</u>	<u>Annual Fee</u>
\$0 - \$500,000	1.00%
\$500,001 - \$1,000,000	0.80%
\$1,000,001 - \$3,000,000	0.60%
\$3,000,000 +	0.40%

This is a tiered fee schedule such that a \$500,000 account will have a fee of 1%, a \$1 million account will have an average fee of .9% and a \$3 million account will have an average fee of .7%.

A client who hires Sather Financial Group for investment management services will also receive, on an as requested basis, financial planning services as part of a broader wealth management program. The minimum account size for investment management services is generally \$500,000. Depending upon the size of the relationship, fees may be negotiable.

• Other Expenses

The asset management fee is the only fee that Sather Financial receives. We do NOT receive any additional fee for investing client assets in one product versus another. As such, we do not receive any commissions, referral fees, 12b-1 fees or any other soft-dollar benefit.

Occasionally, we will offer financial planning services on an hourly basis to people who do not have an asset management relationship with Sather Financial. The typical fee for services of this nature is \$250 per hour. We do not charge an hourly fee to our clients that have an on-going asset management relationship with us.

In addition to the management fee for services, the client is also responsible for, but not limited to, trading costs, commissions, brokerage fees and mutual fund expenses. It is important that our clients understand and see these fees. For this reason they are separate from any fee received by Sather Financial. Since these fees lower the total assets under management, it is in both Sather Financial's best interest, as well as the clients, to keep these fees as low as possible.

Although we have advantageous relationships with the institutional arms of both Charles Schwab and TD Ameritrade, clients are free to execute trades through any brokerage firm. Again, our goal is to make the relationship as efficient as possible for our clients.

• Performance Fees

We do not use performance fees with any client accounts. Our experience is that the typical "performance based pricing" encourages greater risk taking than most clients are tolerant of.

• Fee Payment

We bill our clients for services on a monthly basis, in arrears. In general, our clients are notified of what their assets under management are, as of the last trading day of the month. Based upon that figure, and our fee schedule, we then send our clients a statement that shows the fee calculation. If the client agrees with the fee calculation, on the 10th day of the next month we submit a fee payment request to the brokerage custodian to be paid. The custodian will then deduct the fee from the client account(s) for payment to Sather Financial.

11. Investment Discretion and Brokerage Practices

Sather Financial determines the securities to be bought or sold and the amount of the securities to be bought or sold in a client account. We do so without calling our clients ahead of time.

We use certain brokerages for specific reasons. In general, the main items we consider are:

- Financial strength when assessing their Balance Sheets and Income Statements
- Consistent commitment to technology and technology security.
- Trading efficiency
- Service team experience
- Client Communications

We receive no benefit—either overt or covert from the brokerages we work with. We have one mandate in working with them—get our clients the most efficient and effective service possible. This does not mean necessarily the cheapest, but rather the best overall package of services.

The majority of our clients work with either Charles Schwab & Co. or TD Ameritrade. Our research indicates that these two firms are quite skilled at understanding the Registered Investment Advisory world and our needs. Although many of our clients work with these firms, not all do. Ultimately, it is up to our clients as to where they satisfy brokerage needs.

If a client chooses to direct trades through other brokerages they understand they may incur additional fees, a lack of coordination, a lack of communication and a lack of efficiency, etc.

Often, if we have decided to purchase a given security, we may do so for many of our accounts. As such, it is often typical to buy thousands of shares of a given investment which is then to be allocated to many client accounts. We favor this “block trading” strategy as it often can be more efficient to do so in larger quantities.

In general, when clients hire us, they are looking to delegate investment decisions. As such, we are generally making all of the investment decisions on a portfolio based upon the client’s needs. If we think that a portfolio will benefit from owning Pepsi, for instance, we do not call the client to see if this meets with their approval. We will add it to their portfolio and discuss it after the fact if the client has questions.

Occasionally, clients will want to place their own trades. We have no problem with this. However, we do feel it is our obligation to play “the devil’s advocate” with them if we think they are making a less than wise decision.

12. Custody

We do not have custody of our client’s funds. We purposely position our client’s assets with firms like Schwab or TD Ameritrade since they serve a necessary audit function. We are allowed to buy and sell securities in our client’s portfolios. However, we do not control the accounts themselves meaning that we cannot direct funds out of the account. Having client assets at firms like Schwab or TD Ameritrade serves to notify the client independently of what is going on in their account. As such, the brokerage firm will notify the client directly as to what was bought or sold, deposits and withdrawals and end of month summaries. If Bernie Madoff’s clients had their assets with a firm like Schwab or TD Ameritrade the opportunity for theft would have been greatly reduced.

13. Voting Client Securities

Currently, Sather Financial does not vote proxy material for client securities. It is up to each client to vote proxies or other corporate communications as they see fit. If clients have a question, we are happy to answer these on a case by case basis.

14. Types of Clients

Our clients do not fit any one profile. We offer broad ranging wealth management services to clients who range from new-borns to retirees as well as corporations, retirement plans and foundations. Although our stated minimum account is \$500,000, our average family relationship is approximately \$1.7 million.

15. Account Reviews

We try not to put our clients into a “one size fits all” profile. As such, there are different triggers that will cause an account to be reviewed. Some of these triggers are:

- Cash being deposited/withdrawn
- Change in client goals
- Change in underlying investments within an account
- A client requested overview

We find that the account review process is best handled as a group project. There is not just one of us responsible for reviewing the needs of an account.

16. Methods of Analysis, Investment Strategies and Risk of Loss

- Almost without fail, all of our clients have shorter term “cash flow” needs while needing to provide for long term growth. If we are not successful in marrying the two strategies, we will not have enough cash for operations to wait for the long term growth ideas to pay off.
- If clients have short term needs, they need to be very conservative with their funds. It is generally foolish to risk a 10% or 20% loss to try and reach for an extra 0.1% return.
- If clients have long term needs they need to have a ten year or longer time frame. Additionally, if they are looking to hold stock market, or other volatile type assets, they need to be prepared to significant volatility. On any given year we anticipate that the stock market could be up as much as 50%--or lose as much as 40%. That is a substantial swing in year to year performance.
- The core of our philosophy focuses on what we have learned from Warren Buffett. Over the past 40+ years, Buffett’s investment performance has been some of the best in the business. While that is quite impressive, Buffett has managed to do so while maintaining the highest ethical standards. If you are willing to read, learn and be disciplined, there is no reason to cheat. We wish that Wall Street, and the major investment and banking houses, would adopt a bit of Buffett’s ethical standards.

- Although Buffett is well known for his “value style” of investment management, we would modify that moniker. Buffett will look for value anomalies in *any* asset. We attempt to do the same. That might come in the form of a long term holding like Coca-Cola, but it also is just as likely to come from writing put options or engaging in “cash out” arbitrage trades.
- We do not use a “one size fits all” philosophy. Although there are many similarities among our clients, there are enough differences that warrant managing each portfolio with that individual client in mind.
- We prefer to do our own research and due diligence. This leads us to managing securities as to reduce risk and improve credit quality and cash flow.
- We are money managers. We are not “middlemen” or “salesman” of ideas that are managed by someone else.
- We are not Wall Street based. This affords us the ability to think independently. We do not engage in any investment banking and our operation does not have the traditional conflicts of interest presented by investment banking taking priority over quality investment management.
- Our philosophy focuses on using fundamental analysis to determine:
 - 1) Can we understand the company/investment?
 - 2) Is it predictable?
 - 3) Does the company/investment possess a sustained competitive advantage?
 - 4) Does the company/investment have well above average efficiency returns (return on capital and equity)
 - 5) Does the company/investment have very low reliance upon debt?
 - 6) Can the company/investment be purchased at a discount to its normalized earnings?
- Our philosophy generates many ideas that are boring. Typical long term hold names in our portfolio are: Johnson & Johnson, Pepsi, Kimberly Clark, Proctor & Gamble, Nestle’s, Philip Morris, McDonalds, Clorox, Wal-Mart, Walgreen’s, Berkshire Hathaway and Exxon.
- By utilizing “boring” ideas we succeed in providing our clients with a very healthy, and increasing, dividend. Additionally, the cash flow from these dividends allows us to wait out volatile time periods.
- We will use institutional versions of mutual funds to access certain categories (emerging market, high yield, convertible debt, real estate, etc.). If we use a fund it is done to diversify the portfolio and exploit value anomalies in different markets and asset classes around the world.

17. Research and Investment Decisions

- We have access to a wide variety of research as well as ValueLine, Zacks, S&P, Morningstar etc.
- We rely very little on Wall Street’s opinion based research due to the tremendous conflicts of interest. We have access to, and utilize, a variety of databases that provide broad historical financial data for more than 5,000 companies. We use these databases to analyze and sort based upon criteria that are similar to those utilized by Warren Buffett.
- We rely on fundamental analysis to make our decisions.
- All of our research is performed in-house.
- We research a multitude of ideas individually looking for investments that may fit our parameters. This may be as informal as reading an article, while it also can be as formal as running proprietary sorts of our databases.
- Once an idea shows merit, it is discussed in a group setting where we try to tear each other’s ideas down, determine why they won’t work and see if we can come up with a set of circumstances under which we can “kill an investment”. Once it is determined that we cannot, in all likelihood, “kill it” we start determining the pricing structure that we are willing to pay for a given security.
- While this may sound overwhelming, a cursory overview of most companies allows us to quickly determine that most do not fit our parameters.
- We run similar quantitative sorts on broader investment categories also (ie: non-hedged foreign bond funds, convertible bonds, preferred stock, utilities, real estate investment trusts etc). When we find that there is an opportunity to add value to a portfolio we will find appropriate candidates to discuss.
- These broader categories will be accessed via funds. Once an idea is identified, we then sort for appropriate managers, track record, internal fees, litigation issues, ability to perform etc.

Although this overview covers a wide variety of information, it is obviously not “all-inclusive”. As such, if there is anything else you would like to know about our firm, please contact us.

Sincerely,

Dave Sather

Dave Sather, President
CERTIFIED FINANCIAL PLANNER™

