

**Item 1. Cover Page**

DISCLOSUREBROCHURE  
(FORM ADV: PART 2A)

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This brochure provides information about the qualifications and business practices of The Monitor Group, Inc. If you have any questions about the contents of this brochure, please contact us at: 703-288-0500, or by mail to: [Kautt@themonitorgroup.com](mailto:Kautt@themonitorgroup.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission, or by any state securities authority. Registration with the SEC or any state securities authority does not imply a certain level of skill or training.

Additional Information about The Monitor Group, Inc. also is available on the SEC's website at [www.theFirminfo.sec.gov](http://www.theFirminfo.sec.gov).

## **Item 2. Material Changes**

Initial publication date is JANUARY 2012

Please retain a copy of this brochure for your records.

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## **Item 4. Advisory Business**

### *Firm Description*

The Monitor Group, Inc. ("Firm") was founded in 1981 by H. Lynn Hopewell, who passed away in 2006. In 1999, Glenn G. Kautt, MBA, EA, AIFA, CFP® became president and principal owner of the Firm. The Firm is a fee-only financial planning and investment advisory company offering asset management, financial planning, and consulting services to clients. The Firm's primary service is providing comprehensive wealth management. The Firm has been independently owned and operated since it was founded.

#### **A. Investment Committee**

The asset management programs offered by and through the Firm are supervised by the Firm's investment committee. The Firm's investment committee is made up of planning and investment professionals who work at the Firm.

The Firm's investment committee oversees all investments to be delivered to clients through a client relationship manager who is available to the client for consultation. The committee is responsible for developing and monitoring the Firm's investment program. The committee will have the following goals and responsibilities with respect to the investment practices of the Firm:

- To review and approve the investment and related strategies of the Firm and to evaluate and monitor appropriate risk exposures relative to policy thresholds.
- To review the performance of the investment portfolios to ensure adherence to the Firm's investment philosophy.

No Firm employee is permitted to modify the investment program except as provided by investment committee resolutions.

#### **B. Description of Advisory Services Offered**

The Firm is a fee-only wealth management firm, offering two asset management services programs as well as financial planning and retirement plan consulting services. The Firm's business philosophy is to seek to minimize investment risk through careful diversification and selection of appropriate investment vehicles within each asset class.

##### **B. 1. Asset Management Services**

The Firm offers its clients two asset management services programs:

- TMG Wealth Management
- TMG Portfolios

### **B.1.a. TMG Wealth Management Services Program**

Through TMG Wealth Management Services, a dedicated client relationship manager offers investment management, financial planning, and family of services to financially established individuals, trust funds, retirement plans, and non-profit organizations. There is a minimum wealth management fee of \$10,000.

TMG Wealth Management Services complies with Rule 3a-4 under the Investment Company Act of 1940. Clients' accounts are managed on the basis of their individual financial situations. Each client has the opportunity to select the account's investment objective and to impose reasonable restrictions on the management of the assets in the account. Clients will be contacted annually to determine if there are any changes to their investment goals, objectives, and risk tolerance, and notified semi-annually inviting them to contact the Firm for changes to their investment goals, objectives, and risk tolerance.

#### *Critical factors in developing an appropriate allocation of investment assets*

The Firm helps the client to determine his or her investment objectives and policies. At the Firm's discretion, these objectives may be documented for the client in an investment policy statement ("IPS"). The following are the major factors the Firm considers when recommending and implementing investment recommendations:

- Risk tolerance
- Long-term rate-of-return objective
- Investment time horizon
- Income and liquidity needs
- Tax considerations
- Recommended asset allocation/asset class guidelines
- Limitations on investment holdings

Sources of information used to develop investment recommendations may include, but are not limited to, the following:

- Client questionnaire(s) and interview(s)
- Review of client's current portfolio
- Analysis of historical risk/return characteristics of various asset classes
- Analysis of the long-term outlook for global financial markets
- Analysis of the long-term global economic and political environments

#### *Investment Policy Statement*

Each investment policy statement ("IPS"), if prepared by the Firm, will set forth the asset allocation model the Firm and the client has determined to be appropriate. The Firm's asset allocation process is typically based on long-term investment time horizons. This is based on the Firm's research, which concludes it is generally not in an investor's best interest to attempt to determine a point at which to make an investment security purchase or sale based on short-term economic information or market timing models.

Within the IPS, the Firm will provide important information concerning each of the following categories:

- Risk tolerance
- Long-term rate-of-return objective
- Investment time horizon
- Income and liquidity needs
- Tax considerations
- Recommended asset allocation/asset class guidelines
- Frequency of investment policy re-evaluation
- Trading procedures
- Procedures for selecting and monitoring investments
- Fee arrangement
- Custody arrangements
- Description of authority delegated to the Firm
- Limitations on investment holdings

The Firm and the client will review each client portfolio periodically to determine if risk and return objectives or investment policies need revision. There is no charge for revising an IPS.

#### *Ongoing Monitoring*

The Firm will periodically rebalance the client's investment portfolio to conform to the asset allocation/asset class guidelines accepted by the client. The Firm, in consultation with the client, will periodically review each client's portfolio to determine whether risk and return objectives and investment policies need revision as a result of changes in the client's financial circumstances. If revision is necessary, the Firm will amend the IPS with the updated information and implement a new model portfolio.

#### *Sub-Advisors*

From time to time and to the extent permitted in each client's advisory agreement, the Firm may engage the services of other independent advisors ("sub-advisors") to provide specialized advisory services. In such cases, the Firm may collect certain financial information regarding clients and make that information available to these sub-advisors.

#### **B.1.b.TMG Portfolios Program**

The Firm offers portfolio management services under the TMG Portfolios Program. Through this program, clients who would not otherwise meet our Wealth Management Services Program requirements, and prefer a lower minimum fee are able to benefit from our investment methodology. Although TMG Portfolios clients will utilize the same allocation models, to help control costs the mix of mutual funds selected for inclusion within these allocation models will be more limited than those used in TMG Wealth Management.

In order to provide these services at a cost-effective rate, client support is provided by TMG Portfolios' team of advisors, and the number and level of services included is narrower than those provided under the TMG Wealth Management umbrella. TMG Portfolios clients typically do not require the same level of investment complexity due to their current financial needs.

TMG Portfolios complies with Rule 3a-4 under the Investment Company Act of 1940. Clients' accounts are managed on the basis of their individual financial situations. Each client has the opportunity to select the account's investment objective and to impose reasonable restrictions on the management of the assets in the account. Clients will be contacted annually to determine if there are any changes to their investment goals, objectives, and risk tolerance, and notified semi-annually inviting clients to contact the Firm for any changes to their investment goals, objectives, and risk tolerance.

The Firm's methods of analysis may include quantitative methods for optimizing client portfolios, computer-based risk/return analysis, and statistical and/or computer models utilizing long-term economic criteria. The Firm typically recommends to clients the same mutual funds within particular asset classes.

#### *Critical factors in developing an appropriate allocation of investment assets*

The Firm helps clients to determine their investment objectives and policies. At the Firm's discretion, these objectives may be documented for the client in an investment policy statement ("IPS"). The following are the major factors the Firm considers when recommending and implementing investment recommendations:

- Risk tolerance
- Long-term rate-of-return objective
- Investment time horizon
- Income and liquidity needs
- Tax considerations
- Recommended asset allocation/asset class guidelines
- Limitations on investment holdings

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#### *Investment Policy Statement*

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Within the IPS, the Firm will provide important information concerning each of the following categories:

- Risk tolerance
- Long-term rate-of-return objective
- Investment time horizon
- Income and liquidity needs
- Tax considerations
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- Frequency of investment policy re-evaluation
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The Firm will periodically rebalance the client's investment portfolio to conform to the asset allocation/asset class guidelines accepted by the client. The Firm, in consultation with the client, will periodically review each client's portfolio to determine whether risk and return objectives and investment policies need revision as a result of changes in the client's financial circumstances. If revision is necessary, the Firm will amend the IPS with the updated information and implement a new model portfolio.

## **B.2. Financial Planning and Other Consulting Services**

### **B.2.a. Financial Planning Services**

The Firm may provide non-discretionary estate, retirement, and/or financial planning advice to non-advisory clients. Advice is based on objectives communicated, either orally or in writing, by the client and/or his or her advisors. Planning advice may be provided through individual consultations and/or a written plan document. A written plan may include but is not limited to the following:

- Stock option analysis
- Insurance planning
- Education funding



- Retirement planning, which may include written estimates of cash flow and/or retirement needs and sources
- Divorce planning
- Estate planning, which may include:
- A written description of estate and/or life-style objectives
  - An evaluation of current and/or suggested estate ownership structure diagnostic reports identifying estate ownership alternatives
  - Coordination of estate planning objectives with current/future assets with other professional advisors, such as attorneys or accountants.
- A plan for monitoring the implementation of the Firm's recommendations.

### *Client Assets Under Management*

Assets managed by the Firm as of December 31, 2011 are as follows:

- a. Discretionary: \$467,871,725
- b. Non-Discretionary: none

## **Item 5. Fees and Compensation**

### *Description*

The Firm is a fee-only financial planning and investment advisory firm. As a fee-only firm, we sell no products and are compensated only by fees from clients. Annual fees are calculated as a percentage of assets under management. Annual fee percentages are based on total assets under management and are reduced as assets increase. As of the date of this brochure, the Firm's standard fee schedules are as follows:

Portion of assets up to \$1,000,000	1.00%
Portion of assets between \$1,000,001 and \$3,000,000	0.75%
Portion of assets between \$3,000,001 and \$5,000,000	0.50%
Portion of assets between \$5,000,001 and \$10,000,000	0.40%
Portion of assets between \$10,000,001 and \$25,000,000	0.35%
Assets in excess of \$25,000,001	0.25%

### *Fee Billing*

Fees are billed quarterly in advance, based on the assets under management as of the last trading day of the prior calendar quarter. The Firm prorates fees on deposits and withdrawals greater than 10% of the total portfolio or more during the quarter. Investment advisory fees are typically paid by the custodian holding the client's funds and securities. Under special circumstances, fees may be paid directly by the client. When payment is made by the custodian, the client must provide written authorization permitting the fees to be paid directly from the client's account held by the independent custodian. This authorization is typically included in the standard Client Agreement. The Firm sends to the client an information copy of the quarterly bill showing the amount of the fee, the value of the client's assets on which the fee was based, and the specific manner in which the fee was calculated. The custodian will send to the client a statement, at least quarterly, indicating all amounts disbursed from the account including the amount of advisory fees paid directly to the Firm. The Firm's quarterly statement should encourage clients to compare the Firm's statement with statements received from their custodian. It is the Client's responsibility to review fee deductions to ensure they are correct, as

the Client's custodian will not do so.

#### *Other Fees & Expenses*

The Firm's philosophy is to design a structured diversified client portfolio comprised of institutional mutual funds with low expense ratios. We do not recommend any mutual funds with "loads" or sales charges attached to the fund. However, mutual funds in which client's assets maybe invested charge additional advisory fees and other fees and expenses as described in the applicable fund's prospectus. The Firm's fees do not include custodial fees, brokerage commissions or other transaction costs, if any, charged by client's custodian or broker. The Firm does not determine or receive any of these fees or commissions. Please refer to Item 12 for additional information regarding Brokerage Practices.

#### *Termination of Advisory Agreement*

Upon termination of the Client's Advisory Agreement by either party upon written notice to the other party, a prorata portion of all advisory fees paid but not yet earned as of the date of termination will be promptly refunded to the client.

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

The Firm does not charge any performance-based fees.

### **Item 7. Types of Clients and Minimum Requirements**

We provide financial planning, advisory services and investment management to individuals and institutional clients such as pension or profit sharing plans, trusts, estates, and charitable organizations, corporations and other business entities. The Firm generally requires a minimum account size of \$1,000,000. However, the Firm may accept accounts with assets below \$1,000,000. The application of the minimum account fee on these accounts will cause their percentage to be higher than the fees shown in the standard fee schedule, as the minimum annual investment advisory fee is \$10,000. Clients who participate in portfolio management services under the TMG Portfolios program will be subject to lower minimum annual fees.

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

The Firm employs a wide range of methods to manage portfolios and evaluate investments. The Firm utilizes an investment approach based on Modern Portfolio Theory. Modern Portfolio Theory refers to the process of maximizing a portfolio's expected return for each given amount of portfolio risk through systematic diversification across asset classes and within those particular asset classes. The Firm develops an asset allocation model consistent with the client's financial objectives, time horizon, and tolerance for risk. The Firm adheres to the passive style of investing and, thus, typically recommends allocating assets among commingled investment vehicles, including indexed and passive mutual funds and investment trusts. Although adequate diversification is our primary goal, keeping client's investment fees, expenses and taxes under control are a top priority in the Firm's investment strategy.

When making investment decisions, the Firm relies on academic-based research and historical data accessed through databases including but not limited to, Dimensional Fund Advisors and Morningstar, Inc.

The Firm analyzes mutual funds recommended to clients based on a fund's structure, relative performance among its peer group, total operating expense ratio, portfolio turnover, investment objective and investment restrictions and limitations. The Firm typically recommends clients invest in institutional class no-load funds which have low operating expenses, low portfolio turnover, below average capital gains distributions and a demonstrated expertise and focus in each particular asset class. These institutional class funds generally are available for investment only by clients of registered investment advisors, and all investments are subject to approval of the investment firm. This means you may not be able to make additional investments in certain funds if you terminate your agreement with us, except through another adviser authorized by that fund.

We believe in diversified asset class exposure obtained primarily through a diversified mix of low cost mutual funds which represent desired asset classes. Mutual funds and exchange-traded funds (ETFs) recommended by us typically invest in some or all of the following types of securities:

- U.S. Stocks of any market capitalization
- Foreign Stocks, including Emerging Markets
- Investment Grade Fixed Income Securities
- U.S. Government and Government Agency Securities
- Real Estate Investment Trusts (Domestic and Foreign)

### *Principal Investment Strategies*

Asset allocation models and specific funds recommended to clients typically are set forth in the client's IPS. The Firm primarily recommends low cost mutual funds because mutual funds provide a diversified portfolio designed to limit the impact of large fluctuations in values of individual stocks and bonds. Mutual funds do not offer protection from market volatility. At times, different funds may be recommended to improve current client portfolios. Upon the request of a client, we may provide a limited review of client assets for which we do not have discretionary authority in the context of the overall plan. The Firm invests for the long-term and does not engage in market timing.

We may give advice and take action with respect to other clients different from the advice, timing, and nature of action taken with respect to your account. Timing, allocation, and types of investments are determined as part of each client's overall financial objectives.

### *Principal Risks*

The Firm's primary goal for investing is to help the client maintain purchasing power over the long-term. This may result in short-term variability and loss of principal. Time horizon and need for risk are key determinates of the proper asset allocation. Our approach focuses on taking appropriate risks for which clients are compensated (i.e. market risk) and seeking to limit or eliminate risks which do not provide compensation over the long-term (i.e. individuals stock risk).

**Investing in securities involves risk of loss a client should be prepared to bear.** The Firm cannot guarantee it will achieve a client's investment objective. Client's returns will fluctuate, and you may lose money by investing. Below are some more specific risks of investing:

- **Market Risk.** The prices of securities held by mutual funds in which clients invest may decline in response to certain event taking place around the world, including those directly involving the companies whose securities are owned by the Fund; conditions affecting the general economy; overall market changes; local, regional or global political, social or economic instability; and currency, interest rate and commodity price fluctuations. Investors should have a long-term perspective and be able to tolerate potentially sharp declines in market value.
- **Management Risk.** The Firm's investment approach may fail to produce the intended results. If the Firm's perception of the performance of a specific asset class or fund is not realized in the expected time frame, the overall performance of a client's portfolio may suffer.
- **Equity Risk.** Equity securities tend to be more volatile than other investment choices. The value of an individual mutual fund or ETF can be more volatile than the market as a whole. This volatility affects the value of the client's overall portfolio. Small and mid-cap companies are subject to additional risks. Smaller companies may experience greater volatility, higher failure rates, more limited markets, product lines, financial resources, and less management experience than larger companies. Smaller companies may also have a lower trading volume, which may disproportionately affect their market price, tending to make them fall more in response to selling pressure than is the case with larger companies.
- **Fixed Income Risk.** The issuer of a fixed income security may not be able to make interest and principal payments when due. Generally, the lower the credit rating of a security, the greater the risk the issuer will default on its obligation. If a rating agency gives a debt security a lower rating, the value of the debt security will decline because investors will demand a higher rate of return. As nominal interest rates rise, the value of fixed income securities held by a mutual fund or ETF is likely to decrease. A nominal interest rate is the sum of a real interest rate and an expected inflation rate.
- **Investment Companies Risk.** When a client invests in open end mutual funds or ETFs, a client indirectly bears its proportionate share of any fees and expenses payable directly by those funds. Therefore, clients may incur higher expenses, many of which may be duplicative. In addition, a client's overall portfolio may be affected by losses of an underlying fund and the level of risk arising from the investment practices of an underlying fund (such as the use of derivatives). ETFs are also subject to the following risks: (i) an ETF's shares may trade at a market price above or below their net asset value; (ii) the ETF may employ an investment strategy utilizing high leverage ratios; or (iii) trading of an ETF's shares may be halted if the listing exchange's officials deem such action appropriate; the shares are de-listed from the exchange, or the activation of market-wide "circuit breakers" (which are tied to large decreases in stock prices) halts stock trading generally. The Firm has no control over the risks taken by the underlying funds in which a client invests.
- **Foreign Securities Risk.** Funds in which clients invest may contain foreign securities. Foreign securities are subject to additional risks not typically associated with investments in domestic securities. These risks may include, among others, currency risk, country risks (political, diplomatic, regional conflicts, terrorism, war, social and economic instability, currency devaluations and policies have the effect of limiting or restricting foreign investment or the movement of assets), different trading practices, less government supervision, less publicly available information, limited trading markets and greater volatility. To the extent underlying funds invest in issuers located in emerging markets, the risk may be heightened by political changes, changes in taxation, or currency controls could adversely affect the values of these investments. Emerging markets historically have been more volatile than markets of developed countries with more mature economies.

## **Item 9. Disciplinary Information**

The Firm and its owners have no disciplinary history or infractions.

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

The Firm's sole business and source of income is providing financial planning, investment management, tax preparation, accounting and other financial consulting services. The Firm does not take part in any other type of business.

The Firm is not owned or controlled by, or under common control with, any other company. We have no obligation to use a particular custodian, broker/dealer, vendor, investment product or allied professional of any sort.

The Firm is a member of Zero Alpha Group, LLC, (ZAG) a group of registered investment adviser firms across the country who advocate the Modern Portfolio Theory of investment management. ZAG members share a common investment philosophy based on the principles of Modern Portfolio Theory which emphasizes a passive investment strategy. ZAG members are geographically diverse, and their executives meet regularly to share investment information, strategic and marketing plans and research related to Modern Portfolio Theory and investment management techniques. ZAG also may negotiate with mutual fund companies and broker-dealers in an effort to obtain lower cost investment services on behalf of the members' respective clients.

## **Item 11. Code of Ethics, Interest in Client Transactions and Personal Trading**

### *Code of Ethics*

The Firm strives to maintain a responsible and ethical way of doing business at all times. All employees are bound to abide by the ethics standards set forth in our Employee Policy and Procedure handbook adopted pursuant to the Investment Advisers Act of 1940. Employees are responsible for reporting their personal securities transactions regularly and reviewing the Code of Ethics at least annually. A copy of the Code of Ethics is available to all clients, free of charge, upon request.

Additionally, employees of the Firm who have obtained the Certified Financial Planner(CFP®) designation are bound by the CFP Board's *Standards of Professional Conduct*, which outlines ethical and practice standards for CFP professionals.

### *Participation or Interest in Client Transactions*

The Firm generally does not recommend investments to clients in which the Firm or any of its principals has a financial interest. If any such investment were proposed, the principal would be required to disclose any participation or interest in the transaction to the client and to obtain the approval of the Firm's Chief Compliance Officer in advance.

### *Personal Trading*

The Firm employees are subject to the firm's Code of Ethics, and must report their personal securities transactions to our Chief Compliance Officer for review on a regular basis to the extent required under the Investment Advisers Act of 1940. The Firm's investment adviser representatives may buy or sell shares of mutual funds for themselves, the same funds which are purchased for clients. The Firm has adopted an Insider Trading Policy which prohibits its investment advisory representatives from trading on material non-public information.

## **Item 12. Brokerage Practices**

### *Recommending Brokerage Firms*

The Firm currently recommends Charles Schwab & Co. ("Schwab"), an independent registered broker-dealer, as custodian and broker-dealer for most client accounts. We recommend Schwab based on its low fund transaction fees, execution capabilities, financial stability, good administrative capability, accurate communications/settlement processing, and corporate culture. Schwab charges each client a commission or fee to execute transactions. Schwab, not the Firm, determines the commission rate and fees charged to clients.

While the Firm believes the commissions and fees charged by Schwab are competitive, transactions may not always be executed at the lowest available commission rate. We review other firms' services on an annual basis, and may choose a different custodian, or additional custodians, in the future.

Although the Firm routinely requests clients direct the Firm to execute all transactions through Schwab, clients may direct the use of another qualified custodian and broker-dealer. Currently, the Firm also manages funds at TD Ameritrade ("TDA") for some clients.

### *Best Execution*

As a fiduciary, the Firm has an obligation to obtain best execution of advisory clients' transactions under the circumstances of the particular transaction. The Firm seeks to execute client transactions in such a manner so a client's total cost or proceeds in each transaction is the most favorable under the circumstances. The Firm has evaluated the full range of brokerage services offered by Schwab and TDA and considers these custodians to have reliable execution capabilities, when compared to other comparable broker/dealers. Based on these factors, the Firm believes these custodians provide the best price and execution to their clients compared to other custodians who offer institutional advisory platforms. While the Firm believes these broker-dealers transaction rates to be competitive, transactions may not always be executed at the lowest available commission rate.

If client establishes a brokerage/custodial account with any other custodian or broker-dealers, then the Firm will place all orders pursuant to its investment determinations on behalf of client's portfolio through the applicable broker-dealer, even though client potentially could obtain a more favorable net price and execution from another broker-dealer in particular transactions or from a discount broker in general.

### *Soft Dollars*

The Firm does not enter into so-called “soft dollar arrangements,” where an investment management firm directs client commissions to a broker-dealer who provides research and brokerage services to that firm.

Certain custodians and broker-dealers, including Schwab and TDA, offer an institutional trading platform to registered investment advisory (RIA) firms. As an RIA, the Firm receives certain benefits from these broker-dealers, including access to duplicate client confirmations and bundled duplicate statements; ability to have investment advisory fees deducted directly from client accounts; and discounts on services offered by the broker-dealer and its affiliates such as portfolio management and billing software. The Firm also receives compliance and marketing publications, industry research and client surveys from Schwab, TDA and mutual fund vendors at below market costs.

### *Order Aggregation*

The Firm does not aggregate trade orders.

## **Item 13. Review of Accounts**

### *Periodic Reviews*

The Firm offers initial review and recommendations as well as regular review and monitoring of accounts. Investment advisory accounts are reviewed bi-weekly by our balancing software program providing alerts to the Firm when balances deviate from established asset allocation thresholds. The Firm’s investment professionals use their discretion in making trading decisions and all trading is reviewed by at least one other investment advisory representative of the Firm. Account reviews can also be triggered by general economic conditions, mutual fund reports, performance publications, income tax changes and client requests.

### *Regular Reports*

The Firm provides semi-annual performance reports to clients for whom we provide investment management services. These reports generally contain, but are not limited to, portfolio performance for the prior review period, one year and since inception periods, list of current portfolio holding and asset allocation weights. Reporting of other information is provided according to the individual needs of the client.

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

### *Incoming Referrals*

The Firm encourages and promotes referral of clients to our advisory firm. We do not compensate clients for providing referrals. The Firm may receive referrals from an allied professional. We do not compensate allied professionals for providing referrals unless they have entered into a contract to share fees. If such an arrangement exists, it is fully disclosed by both firms. Presently, the Firm does not have any such arrangement with an allied professional, but may do so in the future.

#### *Referrals of Other Professionals*

The Firm emphasizes a “team approach” when providing investment advisory services to its clients. If requested by a client, or if we believe legal or other professional services are required and in the best interests of a client’s financial plan, we will recommend an independent attorney or appropriate professional. The Firm does not pay for client referrals or enter into arrangements with other professionals for client referrals, unless they have entered into a contract to do so. The Firm may have a conflict of interest in making these recommendations because it may receive referrals from professionals it has recommended to clients. The Firm will refer other professionals to its clients only when we believe the services provided by the professional best suit the client’s needs.

#### *Other Compensation*

The Firm does not receive sales charges, commissions, service fees, 12b-1 fees or other compensation from a non-client in connection with providing investment advice to a client.

### **Item 15. Custody**

#### *Account Statements*

Charles Schwab & Co. is the recommended custodian for accounts managed by The Firm. The Firm does not maintain physical custody of client funds or securities. All checks deposited into client’s custodial accounts must be made payable to either the account name or custodian. Clients will receive monthly account statements from their custodian. Clients should review their account statements carefully.

Performance reports are sent to all clients by the Firm on a semi-annual basis. Clients are encouraged to compare the Firm’s prepared performance reports with their custodial statements and to promptly report any issues.

### **Item 16. Investment Discretion**

#### *Discretionary Authority for Trading*

The Firm will assist clients in opening an account with an independent custodian or broker-dealer or directly with a mutual fund company. Clients grant the Firm discretionary authority over the client’s account to determine the securities to be bought and sold, to place trades, to negotiate transactions costs on their behalf where possible, and periodically to rebalance the client’s account back to the recommended allocation. The Firm has no obligation to supervise or direct investments held in client accounts not managed by the Firm.

#### *Limited Power of Attorney*

Clients are required to grant a “Limited Power of Attorney” to the Firm over their custodial account for purposes of trading and fee deduction. Clients grant this authority in the brokerage account application.



### *Trade Errors*

On occasion, an error may be made in placing a trade. For example, a security may be erroneously purchased (instead of sold) or the wrong number of shares may be purchased (or sold). In these situations, for accounts held with the primary custodian (Charles Schwab & Co.), the Firm has the option of making the client whole by a correcting trade in client's account or the Firm's trade error account. If it appears correcting the error will result in a gain for the client, the Firm (with client's permission) will correct the trade in the client's account, and the client may keep any resulting gain. If a loss is expected or cannot be accurately predicted due to possible market movement, the Firm may use its trade error account to record these corrections. Under certain circumstances, it may be necessary to remove a gain from client's account and retain it in the Firm's trade error account. If a net loss occurs, the Firm will pay for the loss. The client will be made whole as soon as possible upon discovery of the error and loss. All errors and their subsequent resolutions will be documented accordingly.

### **Item 17. Voting Client Securities**

The Firm currently does not exercise proxy-voting authority over securities held in clients' accounts. The Firm does not receive any proxy voting materials on behalf of any clients. All proxy materials are sent directly to the client by the custodian of the account. Clients are responsible for voting proxies of securities held in their investment portfolios at their own expense. Clients may contact us with any questions about a mutual fund proxy solicitation at the address on the cover page.

### **Item 18. Financial Information**

The Firm is not aware of any financial condition likely to impair our ability to meet contractual commitments to clients.

### **Item 19. Requirements for State-Registered Advisers**

Because the Firm is a federally registered investment adviser, this Item is not applicable.