

# DISCLOSURE BROCHURE PART 2A

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PREPARED IN COMPLIANCE WITH  
THE INVESTMENT ADVISERS ACT OF 1940 RULE 204-3(A)



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This Disclosure Brochure provides information about the qualifications and business practices of Kirtland Financial Management, Inc. which should be considered before becoming a client. Please contact Mr. Brett Hixon at [brett.hixon@raymondjames.com](mailto:brett.hixon@raymondjames.com) if you have any questions about the contents of this brochure.

The information contained in this Disclosure Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any State Securities Administrator. Additional Information about Kirtland Financial Management, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

BROCHURE  
DATED  
**1  
JANUARY  
2012**

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## Material Changes

This Disclosure Brochure has been revised and updated to reflect all material changes that occurred in calendar year 2011.

# EXECUTIVE SUMMARY

## Mission Statement

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The mission of Kirtland Financial Management, Inc. is to provide clients with comprehensive long-term solutions for their financial and related personal needs by providing objective advice on the complex financial options available in today's global economic environment. This is accomplished by assisting clients manage time horizons, volatility, and risk through the implementation of investment strategies and designed financial planning disciplines exclusive to each client.

## Business Focus

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Kirtland Financial Management, Inc. (hereinafter referred to as "KFM", "we", "us" and "our") is a registered investment advisor<sup>1</sup> engaged in the business of assisting clients to implement fiscally responsible practices that are tailored to address their monetary needs for today, tomorrow, and in the future. Our financial planning and investment counsel are directed to the needs of high net worth individuals and their families, charitable organizations, affluent business owners, and entrepreneurs that have come to expect professional and quality service. KFM has operated as a Registered Investment Advisor since 1999 with Mrs. Mary D. Kirtland currently owning more than 25% of KFM. As of December 31, 2010 KFM managed \$112,965,604.11 in client assets; \$101,624,371.10 was managed on a discretionary basis and \$11,341,233.0 was managed on a non-discretionary basis.

A client's economic health and well-being is impacted by four primary sectors in their financial life. Each sector is sensitively linked; if the balance of these sectors is weighted too heavily in one direction, then the impending results might adversely affect the client. Therefore, what we seek to do is examine a client's total financial situation to determine how any financial advice might impact the stability of these sectors, and then advise the client based on the scenario most likely to prevent such imbalances from occurring. Consequently, the complex investment alternatives available to the client are then reduced to those investment options best suited to maintain the desired balance.

These four sectors are:

- **Income** – Employment, investment income, windfall/inheritance, social security, and pension income.
- **Household Expenses** – Housing, utilities, transportation, insurance, education, debt repayment, and other expenses including entertainment.
- **Assets** – Real estate, investments, other tangible property, and intangible property.
- **Liabilities** – Mortgage, credit card, automobile, and unsecured debt.

Therefore, KFM looks at a client's financial goals and life style needs as an interaction between their *income* and *household expenses*, their collection and management of *assets*, and their use and management of *liabilities and net worth*.

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<sup>1</sup> The term "Registered Investment Advisor" is not intended to imply Kirtland Financial Management, Inc. has attained a certain level of skill or training. It is used strictly to reference the fact that we are "Registered" as an "Investment Advisor" with the United States Securities and Exchange Commission – and with such other regulatory agencies that may have limited regulatory jurisdiction over our business practices.

# FINANCIAL PLANNING

Successful financial planning can be achieved by starting with a clear picture of a client's financial needs and objectives. The financial plans we develop for clients are designed to help us eliminate much of the guesswork in achieving the financial freedom and independence the client desires by simplifying these financial alternatives. For the client, such quality time invested by KFM on the front-end can solve problems and eliminate future concerns.

## Financial Planning Composition

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Financial planning is an evaluation of the investment and financial options available to a client based upon their defined economic criteria. Planning includes: (i) attempting to make optimal decisions; (ii) projecting the consequences of these decisions for the client in the form of a financial plan – a working blueprint; (iii) implementing the protocol to achieve the objectives of the plan; and then, (iv) comparing future performance against the working blueprint.

A financial plan can be comprehensive – a mutually defined review of the client's personal financial needs; or, targeted – review, analysis and evaluation of a core area of financial need. In general, financial planning encompasses one or more of the following areas of concern:

- **Personal** – Family records, budgeting, personal liability, estate information and financial goals.
- **Education** – Education IRAs, financial aid, and state savings plans including 529 plans, grants and general assistance in preparing to meet dependents continuing educational needs through development of an education plan.
- **Taxes & Cash Flow** – Understanding the impact of various investments on a client's current income tax and future tax liability.
- **Death & Disability** – Cash needs at death, income needs of surviving dependents, estate planning and income analysis.
- **Estate** – Reviewing estate planning documents, including wills and trusts, to determine if a client should seek the assistance of an estate planning attorney. Reviewing powers of attorney, nursing home and assisted living agreements, living trusts, and Medicare/Medicaid benefits.
- **Retirement** – Analysis of current strategies and investment plans designed to help you achieve your retirement goals.
- **Investments** – Analysis of investment alternatives and their effect on a client's investment portfolio(s), including a risk and return analysis. Assessment of a client's risk tolerance profile.
- **Real Estate** – Analysis of real estate investment opportunities.
- **Insurance** – Review of existing policies to ensure proper coverage for life, health, disability, long-term care, liability, home and automobile.

## Methodology

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Our financial planning methodology follows the six (6) steps specified in the Financial Planning Practice Standards established by the Certified Financial Planning Board.

1. Establishing and defining the client-planner relationship.
2. Gathering client data identifying both financial and personal goals and objectives.
3. Analyzing and evaluating the client's financial status.



4. Developing and presenting financial planning recommendations and/or alternatives.
5. Implementing the financial planning recommendations.
6. Monitoring the financial planning recommendations.

These standards build on serving the complete financial need of the client by implementing specific measures to solve problems and establish financial objectives that are in the best interest of the client.

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## Preparing the Financial Plan

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KFM prepares the financial plan in four (4) phases. These phases are defined as follows:

### Phase I – Evaluate

Through the detailed assessment process, KFM learns about the client and what the client wants to achieve. This is accomplished through personal interviews and profile questionnaires<sup>2</sup>, which are designed to address all of the financial planning disciplines discussed above. The client has the opportunity to prioritize their objectives and to remove from the process any areas that are not applicable to their circumstances.

The time we invest in the detailed assessment process to listen and cater to the client's desires is critical for developing a strong financial planning foundation. Such time helps to: (1) define and narrow the client's objectives and investment options; (2) stimulate creative thinking; (3) identify areas of greatest concern; (4) create a unique picture of the client's overall financial personality; and (5) Provide an effective and efficient way for us to address each client's unique financial needs and objectives.

After the interview process, we will prepare an agenda and conduct a meeting with the client to begin formally documenting their goals and objectives. From this meeting, we will draft a report documenting the financial planning process disciplines, which the client wishes to address, and detailing the specific objectives under each discipline. Redrafting and meetings can be repeated until the client is completely satisfied with the report. Depending upon the engagement, different levels of financial reporting will be undertaken. At a minimum, a statement of financial position, designed for financial planning use only, will be prepared.

### Phase II – Integrate

We define the financial plan as a series of blueprints designed to take the client from where they currently are financially, to where they want to be financially. This is the creative portion of the process. There are usually many different ways to accomplish a given goal. The objective, however, is to formulate a plan that the client will be comfortable executing. In some cases, the drafting of the plan reveals the need for us to help the client reconcile the gap between their expectations and their financial realities. Once a viable plan has been drafted, it is presented to and reviewed with the client. The draft and review process may be repeated until the client is satisfied with the financial plan.

### Phase III – Formulate

A financial plan is of limited value if it is not put into action. Accordingly, we place a premium on implementing<sup>3</sup> and monitoring the plan. The implementation schedule provides the client with a list of tasks and deadlines designed to ensure that the plan is put into action. The following are some examples of implementation: (i) drafting of appropriate estate documents (performed by an estate attorney); (ii)

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<sup>2</sup> The profile questionnaires used by KFM are important tools in gathering information about the client's investment methodology, risk tolerance, income/tax bracket, liquidity, time horizons, etc.... If the client elects not to answer the questionnaires or chooses to respond with limited input, it is possible that we could operate in a handicapped capacity. Therefore, if the client desires the most effective and accurate recommendations, they will make every effort to provide us with detailed personal needs and objectives, along with detailed financial and tax information.

<sup>3</sup> Implementing the recommendations made in a financial plan often requires consultation or coordination with one or more outside professionals (e.g.: attorneys, CPAs, insurance and securities representatives). All information provided by and received from the client will be kept entirely confidential, not only by KFM, but by the outside professionals as well. Such information will be disclosed to third parties only with mutual consent or as may be permitted or required by law.



purchase of various insurance policies; (iii) investment advisory services, including preparation of a Investment Policy Statement and Client Profile and asset allocation strategy (performed by KFM, or another investment adviser/broker-dealer of the client's choice); (iv) adoption of a personal budget; and, (v) income tax planning (prepared by a CPA).

#### **Phase IV – Delegate**

Once the plan has been built and the recommendations have been implemented it is critical that these recommendations be monitored on a continuing basis to assure that they remain consistent with the Investment Policy Statement. This process requires periodic rebalancing of the portfolio to assure that our client's original objectives are maintained. Continued monitoring of established personal budgets and the continued effects of taxation on the plan are assessed regularly and continually for clients who have taken advantage of our Annual Retainer Agreement.

## **Financial Planning Fees & Termination**

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For clients who choose not to utilize KFM's Investment Management Services we have the ability to work with them exclusively in a financial planning capacity on an hourly basis. KFM's financial planning fees will be based on the size, complexity, and nature of each client's personal and financial situation and the amount of time it will take to analyze and summarize the plan and perform the services desired by the client.

### **Financial Planning Fees**

KFM's financial planning services are offered at \$250.00 per hour. Such fee will be fully disclosed up-front in a Financial Planning Agreement ("Agreement"), which will include the cost<sup>4</sup> to review your financial information and prepare the desired financial planning service. The entire fee will be due at the time the Agreement is signed.

### **Annual Retainer Agreement**

Material changes in a client's personal circumstances, the general economy, or tax law changes are some of the reasons why the recommendations made in a financial plan should be reviewed periodically and possibly adjusted. It is also important to note, that a client's risk profile changes over time. We strongly suggest that the overall financial plan be reviewed not less than on an annual basis.

If a client elects an Annual Retainer Agreement, we will notify the client of the annual cost to perform the desired work at the beginning of each year. Such retainer fee will general be equal to one-half of the financial planning fee we originally charged and billed on a quarterly basis to the client.

### **Termination of Financial Planning Services**

Clients will have five (5) full business days to terminate the Agreement. Should a client wish to terminate the Agreement after such time period and before presentation of the financial plan, we will be compensated through the date of termination for time spent in design of the financial plan at our hourly rate of \$250.00. After the financial plan has been completed and presented to the client, termination of the Agreement is no longer an option.

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<sup>4</sup> Rarely will a fee exceed those costs outlined in the Agreement. However, there can be instances where KFM did not contract with the client to perform a particular task and therefore merit notifying the client of the additional cost prior to beginning such services.

# INVESTMENT SERVICES

Our managed accounts are designed to build long-term wealth while maintaining risk tolerance levels acceptable to the client. With every managed account, we incorporate investment strategies that have been pre-determined from the investment parameters outlined in the Client Investment Policy Statement. Such investment strategies are made up of one or more of the following investment styles:

- **Capital Appreciation** – Strategies designed to take advantage of the current economic environment and to offer enhanced equity growth and income performance.
- **Capital Preservation** – Strategies designed to produce consistent, stable investment returns that do not fluctuate so aggressively with daily changes in the financial markets.
- **Retirement Living/Tax Implications** – Long-term strategies designed to capitalize on investment returns that yield either low taxes or are tax exempt.

In accomplishing these objectives we will: (i) create tailored investment solutions; (ii) implement the designed investment strategies, or match the investment needs of the client with a group of third-party money managers (“Portfolio Managers”) and/or mutual funds for investment management, asset allocation and timing services; and, (iii) monitor the investment performance of such management strategies and/or Portfolio Managers.

## Portfolio Composition

Portfolio management services of KFM primarily utilize equities, fixed income (bond) vehicles, and investment company products to make up the composition mix within each client’s portfolio.

We have four model portfolio structures that are used as asset allocation guidelines in designing a client’s portfolio. Each model consists of a different “target” asset allocation comprised of different asset classes<sup>5</sup> – spreading money among a variety of investments as opposed to investing in just one – creating a more prudent approach to managing risk<sup>6</sup>.

The investment mix for each client is uniquely designed to achieve the desired investment return for the client. However, the selected equities and fixed income vehicles in a client’s portfolio are typically diversified into many stocks and bonds that are common to all client accounts. This is the only common denominator; from that point the composition mix and quantity of stocks and bonds in any given client account is completely subjective.

Typical composition mix classifications:

Account Classifications	% of Stocks	% of Bonds
Aggressive/Growth	75% - 100%	25% - 0%
Balanced	40% - 75%	60% - 25%
Conservation/Preservation of Capital	25% - 40%	75% - 60%
Fixed/Income	0%	100%

Such classifications are a hypothetical representation of a typical account composition but should not be construed as absolute. Ultimately, the exact composition makeup and allocation of securities are determined by the client’s investment parameters, which can compose a more detailed and/or complex structure.

<sup>5</sup> The different asset classes are: Large-Cap U.S. Value Stocks; Large-Cap U.S. Growth Stocks; Mid-Cap U.S. Value Stocks; Mid-Cap U.S. Growth Stocks; Small-Cap U.S. Value Stocks; Small-Cap U.S. Growth Stocks; Fixed Income; REITS; and Cash.

<sup>6</sup> Please be aware that diversification and asset allocation strategies do not assure a profit and do not protect against loss in declining markets.



We may also, on occasion at the clients urging, use additional investment vehicles to achieve the client's desired investment objective: derivatives, index funds, leveraged index funds, closed-end funds, mutual funds, equipment leasing, private placements and other publicly traded securities.

## Methodology

Our investment methodology is based on five (5) premises, each of which is devised from modern portfolio theory.

1. Clients are inherently risk-averse.
2. The markets are basically efficient.
3. The focus of attention is shifted away from individual securities analysis to consideration of portfolios as a whole, predicated on explicit risk-reward parameters.
4. For any level of risk that the client is willing to accept, there is a rate of return that should be achieved.
5. Portfolio diversification is not so much a function of how many issues are involved, but more a function of the relationships and proportions of each asset to its correlating asset.

It is our practice to develop an Investment Policy Statement for each client. The Investment Policy Statement is a report which has recommendations and is intended to provide guidance in the client's decision regarding the allocation of capital in the client's investment portfolio. The approach used in making portfolio recommendations is based on these perspectives and assumptions: (i) an evaluation of your risk preference and rate of return objectives; (ii) asset selections, liquidity, and cost constraints required in the development of a long-term portfolio strategy; and, (iii) an attempt to match established policies and objectives with the client's risk and return preferences. This method of formalizing policies and objectives, establishing risk/reward parameters, selecting asset classes, defining allocation constraints, and setting guidelines for performance evaluation is of paramount importance in maintaining long-term investment strategies and portfolio growth. The report is prepared using historical performance data for the investments included therewith. The data is obtained from outside source and is believed to be reliable, but there can be no guarantees as to its accuracy or reliability.

## Portfolio Management Fees

The standardized fee structure below presents the annual percentage charged for portfolio management provided on an asset-based fee arrangement. The fee for a quarter is one fourth of the annual applicable percentages multiplied by the aggregate market value of the assets in the account on the last business day of each calendar quarter. The fee schedule is as follows:

Asset Management Fee Schedule

Account Balance*	Annual Rates†
Under \$1,000,000	1.00%
\$1,000,000 - \$2,000,000	0.90%
\$2,000,001 - \$4,000,000	0.80%
Over \$4,000,000	0.70%

\*KFM requires a minimum initial investment of \$400,000.00 to open any managed account. However, this minimum may be waived under certain circumstances. †KFM retains discretion to negotiate the management fee lower than the above indicated Annual Fee Rate on a client-to-client basis depending on the size, complexity, and nature of the portfolio managed. In addition, we have the ability to pay processing fees charged to clients of Raymond James Financial Services and receive 12(b)-1 fees, if applicable, to offset this expense.

All management fees will be fully disclosed in the client's Investment Advisory Agreement with KFM.





## Portfolio Monitoring Services

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For those clients who believe they will benefit from a separately managed account, we will match your particular needs, as outlined in the Investment Policy Statement, with an independent third-party money manager ("Portfolio Managers") for investment management, asset allocation and timing services.

### Selecting Portfolio Managers

KFM will make available to the client a selected group of Portfolio Managers that fit the client's investment criteria. Such Portfolio Managers, under our direction, will then implement the investment management, allocation and timing services.

The Portfolio Managers may have little or no direct client contact, relying instead on our pre-qualification as directed through the Investment Policy Statement. We will perform such qualifying analysis together with performing certain professional, administrative and clerical duties prior to selecting and opening accounts with a particular Portfolio Manager.

### Monitoring Services

Once the Portfolio Manager has been selected and the account established, we will monitor the performance of the Portfolio Manager and the client's investments continuously based on the procedures and timing intervals delineated in the Investment Policy Statement. Although KFM is not involved in any way in the purchase or sale of these investments, KFM will supervise the client's portfolio and will make recommendations to the client as market factors and the client's needs dictate.

### Portfolio Managers Fee Structure

The Portfolio Managers who will be used to manage client's accounts will disclose their fee for management services in their Disclosure Brochure (the Portfolio Manager's Schedule H and/or ADV Part II), which KFM will provide the client prior to opening an account. Such fees that will be charged to a client's account may include: (i) the asset management fee (which includes the Portfolio Manager's and KFM's fees); and/or (ii) trading commissions and/or account charges that may be imposed by the custodian or broker/dealer used to custody the accounts. The Portfolio Manager's Disclosure Brochure contains all pertinent disclosures relating to their management services and the fee structure for such services – the client is encouraged to carefully review these disclosures.

Clients may be able to retain the services of a Portfolio Manager independently from KFM. In those cases where this can occur, the client might be able to negotiate a lower management fee since the Portfolio Manager would not have to compensate the third-party (i.e., KFM) for the referral. Regardless, the Portfolio Manager's Disclosure Brochure (the Schedule H and/or ADV Part II) is required to inform the client of any increased management fee because of the third-party relationship with KFM; and, such information is to be disclosed before or at the time an account is opened.

## Protocols for Investment Services

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The following protocols establish how we handle our portfolio management accounts and what clients should expect when it comes to: (i) their bill for investment services; (ii) depositing or withdrawing funds from their account(s); (iii) other fees charged to their account(s), (iv) investment of cash reserves; and, (v) termination.

### Discretion

KFM will establish discretionary trading authority on all portfolio management accounts to execute securities transactions at anytime without the consent or advice of the client unless otherwise negated by the client.



## Billing

Each client is billed quarterly in arrears to account based on the account value on the last day of the closing calendar quarter. For the first billing quarter, if the management account was not opened at the beginning/end of the quarter, the fee will be based upon a pro-rata calculation of the aggregate market value of the client's assets to be managed for the period.

Advisory fees will be taken first from free credit balances or from any money market funds or balances. If such assets are insufficient to satisfy payment of such fees, a portion of the account assets will be liquidated to cover the fees. Such liquidation may affect the relative balances of the account. The quarterly fee is deducted, by the custodian, from the client's assets. Clients may choose to be billed for fees incurred and pay via check rather than asset deduction.

## Fee Exclusions

The above fees for all our management services are exclusive of any charges imposed by the custodial firm, such as: (i) any Exchange/SEC fees; (ii) service or account charges, including, debit balances or postage/handling fees; and/or, (iii) commissions earned by the custodial firm for securities transactions; (iv) any processing and/or ticket charges charged by the custodial firm.

In addition, all fees paid to us for management services are separate from any fees and expenses charged to shareholders of mutual fund shares by the investment company or by the investment advisor managing the mutual fund portfolios. These expenses generally include management fees and various fund expenses, such as: 12b-1 fees and contingent deferred sales charges. Clients should also understand that the shares of certain mutual funds offered may impose short-term trading charges (typically 1%-2% of the amount originally invested) for redemptions generally made within short periods of time. These short-term charges are imposed by the funds (and not KFM) to deter "market timers" who trade actively in fund shares. Clients should consider these short-term trading charges when selecting the program and/or mutual funds in which they invest, these charges, as well as operating expenses and management fees which may increase the overall cost to the client by 1%-2% (or more). A complete explanation of these expenses charged by the mutual funds is contained in each mutual fund's prospectus. Clients are encouraged to carefully read the fund prospectus.

Select mutual fund companies have agreed to pay administrative fees to the custodial firm in consideration for Raymond James & Associates' waiver of the Processing Fee assessed on certain IMPAC® mutual fund purchases ("Participating Funds"). KFM does not receive any part of these payments. For a list of fund companies that have agreed to pay Raymond James servicing fees for eligible purchases of Participating Funds, please contact KFM by phone at (305) 648-0006 or by sending an email request to: [brett.hixon@raymondjames.com](mailto:brett.hixon@raymondjames.com).

## Investment of Cash Reserves

With respect to cash reserves of advisory client accounts, the custodian of the account assets will determine where cash reserves are held. The custodian may offer one or multiple options to different account types (such as non-taxable and managed accounts). In addition, the custodian may, among other things, consider terms and conditions, risks and features, conflicts of interest, current interest rates, the manner by which future interest rates will be determined, and the nature and extent of insurance coverage (such as deposit protection from the Federal Deposit Insurance Corporation and the Securities Investor Protection Corporation). The custodian may change an investment option at any time by providing the Client with thirty (30) days advance written notice of such change, modification or amendment. Clients selecting the RJBDP option are responsible for monitoring the total amount of deposits held at each Bank in order to determine the extent of FDIC insurance coverage available. KFM is not responsible for any insured or uninsured portion of Client deposits at any of the Banks.

Cash balances arising from the sale of securities, redemptions of debt securities, dividend and interest payments and funds received from customers are transferred automatically on a daily basis to the client's cash sweep account. When securities are sold, funds are deposited on the day after settlement date. Funds placed in a client's account by personal check usually will not be transferred to the sweep account until the second business day following the day that the deposit is credited to the client's investment account. Due to the foregoing practices, the custodial firm may obtain federal funds prior to the date that deposits are credited to the client's investment account and thus may realize some benefit because of the delay in transferring such funds to their interest-bearing cash sweep account.



### Termination Provisions for Investment Services

Clients have five (5) full business days after entering into an Investment Advisory Agreement in which to cancel our investment services and not incur any costs. Thereafter, should the client wish to terminate investment services on a day other than the last day of a calendar quarter, KFM shall be paid any fees due from the beginning of the calendar quarter through the date of termination.

To terminate our investment services a written notice should be submitted at least 30 days prior to the actual termination date, which provides clear instruction on what the client wants done with their account (i.e., liquidate the account, finalize all transactions and/or cease all investment activity). Once the termination notice has been received and we have implemented the final instructions from the client, we are no longer responsible for the management of client assets. From the date that the termination goes into effect, the client becomes responsible to make their own investment decisions.

For IMPAC® accounts with Raymond James, the termination provisions vary somewhat. Please read the IMPAC® Investment Advisory Agreement for the specifics on termination.



# CONFLICTING INTERESTS

## Code of Ethics

As a fiduciary, the Company has an affirmative duty to render continuous, unbiased investment advice, and at all times act in the clients' best interest. To maintain this ethical responsibility to clients, the Company has adopted a Code of Ethics that establishes the fundamental principles of conduct and professionalism expected by all officers, directors and employees in discharging their duties. This Code is a value-laden guide committing such persons to uphold the highest ethical standards, rooted in the most elementary maxim, "Do the right thing!"

The Company's Code of Ethics is designed to deter inappropriate behavior and heighten awareness as to what is right, fair, just and good by promoting:

- Honest and ethical conduct
- Full, fair and accurate disclosure
- Compliance with applicable rules and regulations
- Reporting of any violation to the Code
- Accountability

To help clients understand the Company's ethical culture and standards, how the Company controls sensitive information and what steps have been taken to prevent personnel from abusing their inside position, a copy of the Company's Code of Ethics is available for review upon request.

## Proxy Voting

KFM is hereby expressly precluded from voting proxies. Clients understand and agree that the client retains the right to vote all proxies, which are solicited for securities held in the managed accounts. Any proxy solicitations received at KFM's place of business will be immediately forwarded to the client for their evaluation and decision.

# DISCLOSURE BROCHURE PART 2B

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This brochure supplement provides information about Mary D. Kirtland & Brett C. Hixon that supplements the Kirtland Financial Management brochure. You should have received a copy of that brochure. Please contact Brett C. Hixon at [brett.hixon@raymondjames.com](mailto:brett.hixon@raymondjames.com) if you did not receive Kirtland Financial Management's brochure or if you have any questions about the contents of this supplement.

Additional information about Mary D. Kirtland and Brett C. Hixon is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

BROCHURE  
DATED  
**1  
JANUARY  
2012**

**T A B L E**  
**C O N T E N T S**  
  
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## Material Changes

This Disclosure Brochure has been revised and updated to reflect all material changes that occurred in calendar year 2010.

# QUALIFICATIONS & RESPONSIBILITIES

## Business Qualifications

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Mrs. Mary D. Kirtland is responsible for the leadership and direction of KFM as well as ensuring the investment activities are being performed to the expectations of the clients.

Mrs. Kirtland has over seventeen years of professional experience in the areas of personal finance, investments, insurance, and financial planning. Her qualifications and experience are listed below:

**Mary D. Kirtland, CFP®**

CRD #: 2481397

Year of Birth: 1949

**Education:**

- University of Georgia – BBA: Economics
- University of Miami – MA: Economics
- Certified Financial Planner™ (CFP) certification<sup>7</sup>
- Member Financial Planning Association
- Florida: Life and Variable Annuities Insurance License
- Exams: Series 7, 24, 51 & 63

**Business:**

- |                     |  |   |
|---------------------|--|---|
| • 05/1999 – Present | Kirtland Financial Management, Inc.    | <b>Position:</b> President                                |
| • 08/1996 – Present | Raymond James Financial Services, Inc. | <b>Position:</b> Branch Manager/Registered Representative |
| • 03/1993 – 06/1996 | Townsend Advisory Group, Inc.          | <b>Position:</b> Senior Associate                         |

Mr. Brett C. Hixon has been in the financial services industry since graduating from college. His qualifications and experience are listed below:

**Brett C. Hixon, CFP®**

CRD #: 4746520

Year of Birth: 1980

**Education:**

- Columbia University – BA: Economics
- Certified Financial Planner™ (CFP) certification<sup>7</sup>
- Member Financial Planning Association
- Florida: Life, Health and Variable Annuities Insurance License
- Exams: Series 6, 7 & 65

**Business:**

- |                     |  |  |
|---------------------|--|--|
| • 12/2008 – Present | Kirtland Financial Management, Inc.    | <b>Position:</b> Chief Compliance Officer          |
| • 06/2005 – Present | Kirtland Financial Management, Inc.    | <b>Position:</b> Investment Advisor Representative |
| • 06/2005 – Present | Raymond James Financial Services, Inc. | <b>Position:</b> Registered Representative         |
| • 09/2003 – 06/2005 | Jackson National Life Insurance        | <b>Position:</b> Internal Wholesaler               |

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<sup>7</sup> Certified Financial Planner Board of Standards, Inc. owns the certification marks CFP®, CERTIFIED FINANCIAL PLANNER™, and federally registered CFP (with flame logo), which it awards to individuals who successfully complete initial and ongoing certification requirements.



## Account Responsibility

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Each account is reviewed on an ongoing basis to help ensure that the client's needs and objectives are being met. All accounts are reviewed in the context of the clients stated investment objectives and guidelines. Any adjustments made to the clients predefined guidelines are dictated by their Investment Policy Statement. Cash needs will be adjusted as necessary. In addition, clients will receive at least quarterly statements from the brokerage firm where their accounts are custodied. Each statement will summarize the specific investments currently held the value of the client's portfolio and account transactions. We strongly urge clients to compare account statements received quarterly from KFM with that of the qualified custodian.

It is highly recommended that all financial plans be reviewed at least annually. Material changes in the client's personal circumstances, the general economy, or tax law changes can trigger more frequent reviews. However, it is the clients responsibility to communicate these changes to KFM so that the appropriate adjustments can be made.

## Education & Business Standards

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Any Investment Advisory Representatives retained by KFM will be required to have earned a four-year undergraduate degree or the equivalent and suitable experience in fields directly related to investments and financial planning, as well as the required examinations and qualifications to act as such.

## Analysis, Sources of Information & Investment Strategies

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### Methods of Analysis

In analyzing stock and bond investments, KFM will use a fundamental and technical approach to gathering information. Such analysis considers: economic conditions, earnings, cash flow, book value projections, industry outlook, politics (as it relates to investments), historical data, price-earnings ratios, dividends, general level of interest rates, company management, debt ratios and tax benefits to guide KFM in its allocation decisions.

### Sources of Information

KFM relies on numerous financial publications as well as independent research sources for information. Other sources may include, but are not limited to, domestic, international and governmental newspapers, bulletins, magazines, books and other professional subscription services. On occasion, we will use material prepared by investment companies and research releases prepared by other research companies.

### Investment Strategies

KFM generally recommends long-term investment strategies requiring a minimum of a five to ten year time horizon and holding period.

## Other Business Activities

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Mrs. Mary D. Kirtland and Mr. Brett C. Hixon devote approximately 10% of their time to duties other than giving investment advice. In addition to investment services, Mrs. Kirtland and Mr. Hixon are licensed to sell various insurance products to clients as part of a full range of financial services offered by KFM. Even though Mrs. Kirtland and Mr. Hixon are involved in selling insurance products, such activities should not interfere with the overall investment advisory practices of KFM and present any inherent risks to the advisory client. All conflicts of interest will be fully disclosed to the client prior to executing any transactions.



# FINANCIAL INDUSTRY

## A C T I V I T I E S & A F F I L I A T I O N S

### Brokerage Affiliations

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Mrs. Mary D. Kirtland and Mr. Brett C. Hixon are Registered Representatives of Raymond James Financial Services, Inc. ("RJFS"), to sell listed/unlisted securities and Investment Company and variable insurance products. RJFS clears its securities transactions on a fully disclosed basis through Raymond James & Associates, Inc. (member NYSE), which is also a wholly owned subsidiary of Raymond James Financial, Inc. As Registered Representatives of RJFS, Ms. Kirtland and Mr. Hixon are subject to FINRA Conduct Rule 3040 that restricts them from conducting securities transactions away from RJFS. Therefore, clients are advised that Ms. Kirtland and Mr. Hixon are limited to conducting securities transactions through RJFS.

RJFS provides on-line services for account administrative and operational support, including: electronic trading, block-trading authorization, and software to access client data, back-office support, recordkeeping, client reporting, and other relevant technology tools through its custodial relationships.

Notwithstanding the fact that Mrs. Kirtland and Mr. Hixon are Registered Representatives of RJFS; KFM is solely responsible for the investment advice rendered. Advisory services are provided separately and independently of the broker/dealer.

### Insurance Company/Agency Affiliations

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Mrs. Mary D. Kirtland and Mr. Brett C. Hixon are currently the only Investment Advisor Representatives of KFM who are licensed to sell insurance related products and earn commissions from the sale of these products. Mrs. Kirtland and Mr. Hixon are Florida licensed Life and Variable Annuity Insurance Agents. Mr. Hixon is also licensed to sell health insurance.

### Portfolio Manager Affiliations

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KFM may, from time-to-time, enter into third-party agreements with other investment advisors that have been pre-approved by our broker-dealer RJFS and the program sponsor to perform investment management services on behalf of our clients.

# CONFLICTING INTERESTS

## Securities Transactions for Compensation

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As previously mentioned Mrs. Mary D. Kirtland and Mr. Brett C. Hixon are Registered Representative of Raymond James Financial Services, Inc. ("RJFS") and execute, as brokers, securities transactions for brokerage clients and will earn sales commissions from such transactions. This could be considered a conflict of interest when giving investment advice for a fee on securities products that can be sold for a commission.

Certain open-end mutual funds may, in addition to assessing management fees internally, assess a 12(b)-1 distribution fee or an administrative or service fee (See Fee Exclusions under "*Protocols for Investment Services*" above for other costs that may be assessed to client accounts.). In cases where the Company will pay a portion of or the entire processing fee on behalf of the client, we are eligible to receive a portion of this 12(b)-1 fee to offset our expense.

Other than the above mentioned situation, Mrs. Kirtland and Mr. Hixon will not receive commissions for securities transactions that occur within those accounts managed by KFM. Furthermore, in cases where Mrs. Kirtland or Mr. Hixon could receive commissions, it is KFM's policy to fully disclose, prior to execution of such transactions, the fact that they will receive commissions associated with the purchase or sale of such securities.

## Client Transactions

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### Participation or Interests

It is against Company policies for any officers, directors and employees to invest in a private business interest or other non-marketable investment with a client or clients unless KFM has granted prior approval, and is not in violation of any SEC and/or State rules and regulations.

Personnel of KFM are permitted to personally invest their own monies in investments that may, from time to time, be recommended to clients. Such investment purchases are to be independent of, and not connected in any way to, investment decisions made on behalf of KFM's clients. Personal trading activities conducted by KFM's officers, directors and employees are monitored by Mrs. Kirtland to help ensure that such activities do not impact clients or create conflicts of interest.

### Insider Trading Activities

KFM is, and shall continue to be, in total compliance with the Insider Trading and Securities Fraud Enforcement Act of 1988. Specifically, we have adopted a firm-wide policy statement-outlining insider trading compliance by KFM and our personnel. This statement has been distributed to all personnel of KFM and has been signed and dated by such persons. Copies of such signed originals are maintained in our personnel files.



## Investment or Brokerage Discretion

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### Securities and Amount Bought or Sold

KFM executes an agreement with each client, which sets forth the authority to buy and sell securities in whatever amounts are determined to be appropriate for the account and whether such transactions are with, or without, prior approval by the client.

### Direction of Transactions and Commission Rates

Raymond James & Associates, Inc. ("RJA") will act as the custodian over managed client accounts in which KFM has discretionary authority. It should be understood that KFM does not have the authority to negotiate commissions or obtain volume discounts, and best execution may not be achieved. In addition, since we do not negotiate the commissions charged by RJA, such commissions can vary from client to client.

## Additional Compensation

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### Financial Planning Economic Benefits & Conflicts

Clients are cautioned to consider their options carefully when Investment Advisor Representatives ("IARs") of KFM recommend the purchase of any securities or insurance products where the IAR is also a commissioned representative – there is a potential conflict of interest. The incentive on the part of KFM and the IAR is to recommend only those products in which they will receive a commission. Consequently, the objectivity of the advice rendered could be subjective and disadvantage the client.

There are also potential conflicts of interest when KFM and its IARs suggest the need for outside consultations and coordination (i.e., attorneys, CPAs) to implement certain aspects of an estate, retirement or tax plan. Even though KFM does not share in any fees earned by the attorneys or CPA when implementing an estate, retirement or tax plan those entities to which KFM refers business do. This creates incentive on the part of KFM and the IAR to refer client business to only those entities that in turn refer potential clients to KFM. This can eliminate the possibility for the client to be referred to someone who may provide better services at lower cost.

Therefore, to ensure clients understand the full relationship of KFM to any related parties that KFM may refer business, as well as the choices and risks clients have in receiving investment and financial planning services, the following disclosures are provided:

- Clients may choose any broker/dealer to execute his/her securities transactions.
- IARs will not receive commissions associated with those accounts managed by KFM. However, there are instances where a client could request separate brokerage services that are unrelated to their managed accounts. In such cases, the IAR may receive commissions from the brokerage services associated with this separate transaction as a registered representative.
- Investments involve risk and some investment decisions will result in losses. Clients understand that KFM cannot guarantee that their investment objectives will be achieved by working with us.
- Clients are under no obligation to have any related parties that KFM recommends prepare planning documents (i.e., estate, insurance, tax, etc...). Clients are free to choose those entities to implement the recommendations made in the financial plan.
- The related parties that KFM will have perform certain aspects of the financial planning services for the client will be registered representatives of a broker/dealer and/or licensed representatives of insurance companies – they will receive the normal commissions associated with such transactions.
- If requested by the client to implement any insurance recommendations made in the financial plan, Mrs. Kirtland or Mr. Hixon will execute such transactions through those insurance companies in which they are licensed representatives. In such cases, Mrs. Kirtland or Mr. Hixon will receive the normal commissions associated with such insurance transactions.



- Since Mrs. Kirtland and Mr. Hixon only offer financial products from those insurance companies in which they are appointed, such recommendations made in the financial plan are limited to that pool of products. Therefore, it is possible that the client might be able to execute similar insurance transactions elsewhere with greater performance at lower costs.
- KFM does not receive any economic benefit from referring clients to another professional without first notifying the client of such possibilities. KFM acts completely in a fiduciary capacity – **the interests of the client are first and foremost.**

Notwithstanding such potential conflicts of interest, KFM strives to serve the best interest of the client; as well as, ensuring such disclosure is being properly made to clients in compliance with the Investment Advisor Act of 1940, Rule 275.206.

**END OF THE DISCLOSURE BROCHURE**