

## **Portfolio, LLC**

Portfolio Asset Management  
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**This brochure provides clients with information about Portfolio, LLC and the Portfolio Private Client Wrap-Fee Program that should be considered before becoming a client of the Portfolio Private Client Wrap-Fee Program. This information has not been approved or verified by any governmental authority.**

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## **Material Changes**

Portfolio, LLC (PLLC) has added the ability to use sub-advisors to the possible wrap fee account (see page 4) and has the option of using a broker/dealer other than TD Ameritrade Institutional (TDAI) to place trades when expedient (see page 8). In addition, PLLC now participates in additional programs offered by TDAI such as their Institutional Equity Management Program and their subsidy of PLLC's third party reconciliation agent, ORION Advisory Services. (see page 7)

## **The Programs sponsored by Portfolio, LLC.**

### **Portfolio Private Client Program I**

Portfolio, LLC (PLLC) sponsors the Portfolio Private Client Wrap-Fee Program I, an investment advisory wrap-fee program (Program). Through this Program, PLLC offers personalized investment advisory services to clients. PLLC's services and fee arrangements are described in the following pages.

Only investment PLLC representatives of the PLLC may serve as portfolio managers in the Program. Therefore, participants in the Program must be advisory clients of the PLLC. PLLC shall receive compensation as a result of a client's participation in the program. The amount of the compensation may be more than what the PLLC may receive if the client participated in programs sponsored by other financial firms or if the client paid separately for investment advice, brokerage, and other services. Therefore, PLLC's associated persons have a financial incentive to recommend the Program over programs or services not provided by PLLC. This Schedule H disclosure brochure is limited to describing the services, fees, and other necessary information clients should consider prior to becoming a client within the Program. For a complete description of the other services and fees offered by PLLC, clients should refer to the PLLC's complete Form ADV and Schedule F.

Through the Program, PLLC provides investment supervisory and management services defined as providing continuous investment advice based on each client's individual needs. Services are generally provided to individuals, high net-worth individuals, pension and profit sharing plans, trusts, estates, charitable organizations, and corporations or other business entities.

The minimum investment amount required to enroll in the Program is \$500,000. Exceptions to this minimum may be granted at the discretion of PLLC. In addition, all clients enrolling in the Program must execute a *Portfolio Private Client Program I– Client Agreement*.

Upon execution of a *Portfolio Private Client Program I – Client Agreement*, PLLC shall assist clients with the establishment of one or more individual accounts ("Account") maintained through the TD Ameritrade Institutional platform. PLLC requires the use of TD Ameritrade Institutional for clients enrolling in the Program. Through this arrangement, the Account will be

maintained at TD Ameritrade, Inc. (referred to as “TDA”) registered broker/dealers, members FINRA/SIPC/NFA. TDA serves as the qualified custodian for Accounts through the Program. Clients must appoint the PLLC as their investment PLLC on the Account. PLLC shall be granted trading authorization over each client’s individual Account in order to implement PLLC’s continuous investment advice. Implementation services are provided on a discretionary basis.

Accounts in the Program are managed on the basis of each client’s financial situation and investment objectives. At least quarterly clients should notify PLLC whether their financial situation or investment objectives have changed, or if they want to impose and/or modify any reasonable restrictions on the management of their Account. At least annually, PLLC will contact clients to determine whether their financial situation or investment objectives have changed, or if they want to impose and/or modify any reasonable restrictions on the management of their Account. PLLC shall be reasonably available to consult with clients relative to the status of the Account. Clients shall have the ability to impose reasonable restrictions on the management of the Account, including the ability to instruct PLLC not to purchase certain securities. A client’s beneficial interest in a security does not represent an undivided interest in all the securities held by the Broker/Dealer, but rather represents a direct and beneficial interest in the securities that comprise the Account. Clients retain indicia of ownership of their Account (e. g. right to withdraw securities or cash, exercise or delegate proxy voting, and receive transaction confirmations).

### **Portfolio Private Client Program II**

Portfolio Private Client Program II is the same as Portfolio Private Client Program I with the following exceptions:

1. Client's accounts may be held at a custodian chosen by the client and not the PLLC.
2. The PLLC has the right to accept or reject the custodian.
3. The program fee does not include any reimbursed expenses such as commissions, prime broker fees, and any other transaction fees relating to the execution of securities transactions within client accounts.
4. The Portfolio Private Client II-Client Agreement is used.

### **Portfolio Management Strategy and Services**

In order to determine a suitable course of action for an individual client, PLLC shall perform a review of the client’s financial circumstances. Such review may include, but would not necessarily be limited to, investment objectives, consideration of the client’s overall financial condition, income and tax status, personal and business assets, risk profile, and other factors unique to the client’s particular circumstances. PLLC will design, revise, and reallocate a client’s custom portfolio. Investments are determined based upon the client’s investment objectives, risk tolerance, net worth, net income, age, time horizon, tax situation and other various suitability factors. PLLC manages the client Account on an individualized basis. Restrictions and guidelines imposed by the client may affect the composition and performance of

custom portfolios (as a result, performance of custom portfolios within the same investment objective may differ and the client should not expect that the performance of his/her custom portfolios will be identical to any other individual's portfolio performance).

Accounts are reviewed by PLLC at least quarterly. Clients are contacted at least annually for the purpose of reviewing their account and to determine if there have been changes in their financial situation or investment objectives. The calendar is the main triggering factor, although more frequent reviews may also be triggered by changes in the client's circumstances, client request, or changes within the market. The underlying portfolios used to manage client accounts and holdings within those portfolios are reviewed on a more frequent basis. Portfolios are usually reviewed as frequently as weekly, but no less than monthly. Triggering factors for changes to underlying portfolios include the relative valuation changes between asset classes, deviation from management style by fund, fund closures, and the overall performance of investments. PLLC is responsible for day-to-day rebalancing, reallocation and ongoing trading services for Portfolio Private Client accounts.

Lee Munson is responsible for overseeing all investment advice given by the Investment PLLC Representatives with Portfolio, LLC and their reviews of client accounts.

Transactions implemented by PLLC for client Accounts are generally affected independently, unless PLLC decides to purchase or sell the same securities for several clients at approximately the same time. This process is referred to as aggregating orders, batch trading or block trading and is used by PLLC when PLLC believes such action may prove advantageous to clients. When PLLC aggregates client orders, the allocation of securities among client accounts will be done on a fair and equitable basis. Typically, the process of aggregating client orders is done in order to achieve better execution, to negotiate more favorable commission rates or to allocate orders among clients on a more equitable basis in order to avoid differences in prices and transaction fees or other transaction costs that might be obtained when orders are placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among PLLC's clients in proportion to the purchase and sale orders placed for each client account on any given day. When PLLC determines to aggregate client orders for the purchase or sale of securities, including securities in which the associated persons of PLLC may invest, PLLC will do so in accordance with the parameters set forth in the SEC No-Action Letter, *SMC Capital, Inc.* It should be noted, PLLC does not receive any additional compensation or remuneration as a result of aggregation.

PLLC or a related person does not act as a principal (buys securities for itself or sells securities it owns to any client) in the Program. PLLC or a related person does not act as a broker or broker-agent for any person and does not effect transactions in which client securities are sold to or bought from a brokerage (commission-only) client.

As part of our investment management services, we may use one or more sub-advisers to manage a portion or the whole of your account on a discretionary basis. The sub-adviser(s) may use one or more of their model portfolios to manage your account. We will regularly monitor the

performance of your accounts managed by sub-adviser(s), and may hire and fire any sub-adviser without your prior approval. Our ability to hire and firm sub-advisers on your behalf is based on you granting our firm discretionary authority, which is typically granted by the investment advisory agreement you sign with our firm, a power of attorney, or trading authority forms. We will pay a portion of our advisory fee to the sub-adviser(s) we use; however, you will not pay our firm a higher advisory fee as a result of any sub-advisory relationships.

### **Program Fees**

Clients in the wrap-fee Programs I and/or II pay a single annualized fee, based upon a percentage of the market value of all Program assets, for participation in the Program. Charges for services shall not exceed an annual fee of 150 basis points (1.5%) of the client's assets under management. The Program fee includes the PLLC's management fee and reimbursed expenses paid for all custodial expenses charged by the broker-dealer used through the TD Ameritrade Institutional platform. Specifically, reimbursed expenses for custodial fees will cover all commissions, prime broker fees, and any other transaction fees relating to the execution of securities transactions within client accounts. The reimbursed expenses for custodial fees are 8 basis points.

The actual Program fee charged to each client is negotiable based on factors such as the client's financial situation and circumstances, the amount of assets under management and the overall complexity of the services provided. Prior to services being provided, the exact services and fees will be agreed upon and disclosed in the *Portfolio Private Client Program I or II – Client Agreement*.

Program fees are divided and billed quarterly in arrears. Quarterly fees are calculated based on the average of the monthly ending balances during the quarter. Fees shall be pro rated during the initial and final quarters service is provided. Fees are generally deducted directly from a client's account. Clients must provide the qualified custodian with written authorization to have fees deducted from the account and paid to the PLLC. The qualified custodian will send client statements detailing account activity for the prior period including a description of all disbursements for the account including the amount of PLLC's fee deducted directly from the account. At the discretion of PLLC, clients may pay fees directly to PLLC upon receipt of a billing statement delivered by PLLC.

### **Other Fees**

Clients may also incur certain charges imposed by third parties other than PLLC in connection with investments made through the account, including but not limited to, mutual fund sales loads, 12(b)-1 fees and surrender charges, and IRA and qualified retirement plan fees. Management and transaction fees charged by PLLC are separate and distinct from the fees and expenses charged by investment company securities that may be recommended to clients. A description of these fees and expenses are available in each investment company security's prospectus.

### **Program Account Statements and Reports**

TDA provides brokerage statements to all Account holders. PLLC provides performance and position reports on a quarterly and as-needed basis. PLLC also develops and provides an Investment Policy Statement, which is provided initially and then reviewed annually with each participant.

### **Use of TD Ameritrade Institutional**

PLLC requires the use of TD Ameritrade Institutional for clients enrolling in *Portfolio Private Client Program I*. PLLC participates in the Institutional PLLC program (the “Program”) offered by TD Ameritrade Institutional. Through this arrangement, accounts will be maintained at TD Ameritrade, Inc. (referred to as “TDA”) **TD AMERITRADE Institutional is a division of TD AMERITRADE, Inc. (“TD AMERITRADE”)** a registered broker/dealer, member FINRA/SIPC/NFA. TD AMERITRADE is an independent and unaffiliated SEC-registered broker-dealer and FINRA member. TD Ameritrade offers PLLC services that include custody of securities, trade execution, clearance, and settlement of transactions. PLLC receives some benefits from TD Ameritrade through its participation in the Program. The primary factor in determining a broker/dealer for PLLC is that the services of the broker/dealer are provided in a cost-effective manner. Best execution of client transactions is an obligation PLLC takes seriously and is a catalyst in the decision of suggesting a broker/dealer. While quality of execution at the best price is an important determinant, best execution does not necessarily mean lowest price and it is not the sole consideration. The trading process of any broker/dealer suggested by PLLC must be efficient, seamless, and straightforward. Overall custodial support services, trade correction services, and statement preparation are some of the other factors determined when suggesting a broker/dealer. PLLC does not have any soft dollar arrangements with any third party.

In connection with the use and recommendation of TDA, there is no direct link between PLLCs participation in the program and the investment advice it gives to its clients, although PLLC receives economic benefits through its participation in the program that are typically not available to TD AMERITRADE retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving adviser participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to PLLC by third party vendors. TD AMERITRADE may also have paid for business consulting and professional services received by PLLC’s related persons. Some of the products and services made available by TD AMERITRADE through the program may benefit PLLC but may not benefit its client accounts. These products or services may assist PLLC in managing and administering client accounts, including accounts not maintained at TD AMERITRADE.

Other services made available by TD AMERITRADE are intended to help PLLC manage and further develop its business enterprise. The benefits received by PLLC or its personnel through participation in the program do not depend on the amount of brokerage transactions directed to TD AMERITRADE. As part of its fiduciary duties to clients, the firm endeavors at all times to put the interests of its clients first. **Clients should be aware, however, that the receipt of economic benefits by PLLC or its related persons in and of itself creates a potential conflict of interest and may indirectly influence PLLC's recommendation of TDA for custody and brokerage services.**

PLLC may receive succession planning, practice valuation, and equity management services from third-party vendors through participation in the TD Ameritrade Institutional Equity Management Program. In addition to meeting the minimum eligibility criteria for participation in the TD Ameritrade Institutional Equity Management Program, PLLC may have been selected to participate in the TD Ameritrade Institutional Equity Management Program based on the amount and potential profitability to TD Ameritrade of the assets in, and trades placed for, client accounts maintained with TD Ameritrade. TD Ameritrade is a discount broker-dealer independent of and unaffiliated with PLLC and there is no employee or agency relationship between TD Ameritrade and PLLC. TD Ameritrade has established the TD Ameritrade Institutional Equity Management Program as a means of assisting independent unaffiliated PLLCs to grow and maintain their respective investment advisory business. TD Ameritrade does not supervise PLLC and has no responsibility for PLLC's management of client portfolios or PLLC's other advice or services to clients.

PLLC's participation in the TD Ameritrade Institutional Equity Management Program raises potential conflicts of interest. PLLC may encourage their clients to custody their assets at TD Ameritrade and whose client accounts are profitable to TD Ameritrade. Consequently, in order to participate in the TD Ameritrade Institutional Equity Management Program, PLLC may have an incentive to recommend to clients that the assets under management by PLLC be held in custody with TD Ameritrade and to place transactions for client accounts with TD Ameritrade. PLLC's participation in the TD Ameritrade Institutional Equity Management Program does not relieve the PLLC of the duty to seek best execution of trades for client accounts.

The PLLC also receives from TDA certain economic benefits that may or may not be offered to any other independent investment PLLCs using TDA. In addition to the above-mentioned services, TDA subsidizes part of the cost associated with PLLC's chosen third-party reconciliation agent, ORION PLLC Services (ORION) and PLLC's chosen CRM provider, AppCrown. All payments from TDA to ORION or AppCrown on behalf of the PLLC are made directly to ORION or AppCrown. TDA provides this additional service to the PLLC in its sole discretion and at its own expense, and PLLC does not pay any fees to TDA for the additional services. PLLC and TDA have entered into a separate agreement to govern the terms of the provision of the additional services. PLLC's receipt of the additional services raises potential conflict of interest. In providing these services to PLLC, TDA most likely considers the amount and profitability to TDA of the assets in, and trades placed for PLLC's client accounts maintained with TDA. TDA has the right to terminate the additional services with the PLLC, in

its sole discretion, provided certain conditions are met. Consequently, in order to continue to obtain the additional services from TDA, PLLC may have an incentive to continue to recommend to its clients that the assets under management with the PLLC be held in custody with TDA and to place transactions for client accounts with TDA. PLLC's receipt of additional services does not diminish its duty to act in the best interests of its clients, including seeking best execution of trades for client accounts.

#### **Use of additional Broker/Dealers**

PLLC will occasionally use other Broker-Dealers in addition to TD Ameritrade to execute trades. This is done for the following reasons: 1) Price impact: PLLC can at time receive better pricing from another firm. We regularly monitor best execution in these instances; 2) Research: Firms other than TDAI often provide proprietary research that cannot be obtained elsewhere; and 3): these firms, based on the amount of trading, will pay certain expenses incurred by PLLC in the course of doing business. The amount varies. This may create a conflict of interest, however; PLLC is vigilant in seeking the best outcome for its clients.

#### **Terminating an Account**

PLLC or client may terminate the *Portfolio Private Client Program I or II – Client Agreement* by providing notice to the other party. In the event a client terminates services, termination will be effective upon PLLC's receipt of written notification. PLLC may terminate services by providing client with 30 days written notice. When services are terminated, the final fee payment will be pro-rated based upon the number of days services are provided in the final quarter. The final fee will be calculated using the date of termination as the final date of services.

#### **Proxy Voting**

PLLC does not perform proxy-voting services on a client's behalf. Clients are instructed to read through the information provided with the proxy-voting documents and to make a determination based on the information provided. Upon request from the client, PLLC may provide limited clarifications of the issues presented in the proxy voting materials based on PLLC's understanding of issues presented in the proxy-voting materials. However, the client will have the ultimate responsibility for making all proxy-voting decisions.

#### **PLLC's Code of Ethics**

PLLC and its supervised persons may buy or sell securities that are also recommended to clients. In order to minimize this conflict of interest, securities recommended by PLLC are widely held and publicly traded. In addition, in accordance with its fiduciary duty to clients, PLLC and its supervised persons will place client interests ahead of their own interests.

Section 204A-1 of the *Investment Advisers Act of 1940* requires all investment advisers to establish, maintain and enforce a Code of Ethics. PLLC has established a Code of Ethics that will apply to all of its associated persons. An investment adviser is considered a fiduciary according to the *Investment Advisers Act of 1940*. As a fiduciary, it is an investment adviser's responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each of our clients at all times. PLLC has a fiduciary duty to all clients. This fiduciary duty is



considered the core underlying principle for the PLLC's Code of Ethics, which also covers its Insider Trading and Personal Securities Transactions Policies and Procedures. PLLC requires all of its supervised persons to conduct business with the highest level of ethical standards and to comply with all federal and state securities laws at all times. Upon employment or affiliation and at least annually thereafter, all supervised persons will sign an acknowledgement that they have read, understand and agree to comply with the PLLC's Code of Ethics. PLLC has the responsibility to make sure that the interests of all clients are placed ahead of the PLLC's or its supervised person's own investment interest. Full disclosure of all material facts and potential conflicts of interest will be provided to clients prior to any services being conducted. PLLC and its supervised persons must conduct business in an honest, ethical and fair manner and avoid all circumstances that might negatively affect or appear to affect our duty of complete loyalty to all clients. This disclosure is provided to give all clients a summary of PLLC's Code of Ethics. However, if a client or a potential client wishes to review PLLC's Code of Ethics in its entirety, a copy will be provided promptly upon request.

### **Referrals to/from Unaffiliated Firms**

PLLC enters into relationships with unaffiliated legal firms, accounting firms, mortgage brokers, and other consultants. When PLLC determines that clients may be in need of the services provided by these outside entities, clients will be referred to an applicable firm that provides the necessary professional services. In addition, if clients of these outside firms are in need of investment advisory services, the outside professionals may refer clients to PLLC. Clients are not obligated in any manner to use the services any of these entities and no fee sharing or fee payment arrangements exist between PLLC and any outside firm.

### **Executive Officer of PLLC and Individuals Providing Investment Advice on behalf of PLLC**

**Lee E. Munson**, Born 04/1975

#### *Education and Professional Designation Background:*

B.A. in Liberal Arts: St. John's College - Santa Fe, New Mexico

Chartered Financial Consultant® (CFA®) Charterholder since September 2006

Obtained CERTIFIED FINANCIAL PLANNER™ certification in January 2004

#### *Business Background:*

Portfolio LLC Managing Member & Investment PLLC Representative, 01/2008 to Present; and

Charles Schwab & Co., Inc., Financial Consultant, 04/2002 to 01/2008.

**Tracy A. Miller**, Born 08/1955

#### *Education Background:*

B.A. in Political Science/Pre-Law- University of Oklahoma

Obtained CERTIFIED FINANCIAL PLANNER™ certification in November 2001

*Business Background:*

Portfolio, LLC, Certified Financial Planner & Investment PLLC Representative, 09/2009 to Present;  
Charles Schwab & Co., Inc., Financial Consultant, 11/1997 to 08/2009

While Ms. Miller's primary business is devoted to the services of the PLLC, Ms. Miller is also the owner and CEO of Red River PLLCs, LLC an insurance company and devotes approximately 10% of her time to this endeavor. She receives commissions for the sales of insurance products.

**Lorraine Ell**, Born 09/1952

*Education Background:*

B.A. in Linguistics: Michigan State University – East Lansing, Michigan  
M.A. in Leadership: Michigan State University – East Lansing, Michigan

*Business Background:*

Portfolio, LLC Chief Operations Officer, 01/2008 to Present, & Investment PLLC Representative, 03/2008 to Present;  
University of Phoenix, Adjunct Faculty Member, 01/2007 to Present;  
Albuquerque Public Schools, Teacher, 08/2007 to 01/2008;

While Ms. Ell's primary business is devoted to the services of the PLLC, Ms. Ell is a part-time faculty member, teaching academic writing, at the University of Phoenix. Ms. Ell devotes approximately 10-15 hours per month to this activity. This activity is not related in any way to the services provided by PLLC and is considered a complete and separate activity.

**Nancy Hofman Hetrick**, Born 05/1967

*Education Background:*

Certified Divorce Financial Analyst™ (CDFA™)  
Accredited Wealth Management PLLC (AWMA)  
Accredited Asset Management Specialist (AAMS)  
Chartered Mutual Fund Counselor (CMFC)

*Business Background:*

Portfolio, LLC Investment PLLC Representative, 04/15/2011 to Present  
Charles Schwab & Co., Inc., Investment PLLC Representative, 4/1999 to 4/2011

**Jared Hopkins**, Born 10/1973

*Education Background:*

B.S. in Business Administration: University of Phoenix  
MBA, University of Phoenix  
Obtained CERTIFIED FINANCIAL PLANNER™ certification in 2010  
AAMS, College of Financial Planning

*Business Background:*

Portfolio, LLC, Certified Financial Planner & Portfolio Manager, 09/2011 to Present;  
Charles Schwab & Co., Inc., Financial Consultant, 8/1997 to 08/2011

**Bryan Giron**, Born 05/1986

*Education Background:*

B.A. in Finance: University of New Mexico- Albuquerque, New Mexico

*Business Background:*

Portfolio, LLC Investment PLLC Representative, 08/08/2011 to Present  
Assistant, 01/01/2011 to 08/08/2011  
Unemployed, 06/2010-12/2010  
University of New Mexico, Student, 08/2006-05/2010