

# PART 2A of FORM ADV

Madison Family Advisors, Inc.

BROCHURE

INSTRUCTIONS

**Item 1: Cover Page**

**Firm Brochure**

(Part 2A of Form ADV)

**MADISON FAMILY ADVISORS, INC.**

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This brochure provides information about the qualifications and business practices of Madison Family Advisors, Inc. If you have any questions about the contents of this brochure, please contact us at: (847) 321-1617, or by email at: [jjb@madisonfamilyadvisors.com](mailto:jjb@madisonfamilyadvisors.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.

Additional information about Madison Family Advisors, Inc. is available on the SEC's Website - [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Registration does not imply a certain level of skill or training.

April 17<sup>th</sup>, 2013

## Item 2: Material Changes

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### **Annual Update**

The Material Changes section of this brochure will be updated annually when material changes occur since the previous release of the Firm Brochure. In the future, we will deliver to our clients, within 120 days of the end of each fiscal year, a free, updated Brochure that either includes or is accompanied by a summary of material changes. Alternatively, we may deliver a summary of material changes that includes an offer to provide a copy of the updated brochure and information on how our clients may obtain the brochure.

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### **Material Changes since the Last Update**

The U.S. Securities and Exchange Commission issued a final rule in July 2010, requiring advisers to provide a Firm Brochure in narrative “plain English” format. The new final rule specifies mandatory sections and organization. This Brochure dated April 17<sup>th</sup>, 2013 is an updated document prepared according to the SEC’s new requirements and rules. Therefore, this document is materially different in structure and requires certain new information that our previous brochure did not require.

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### **Full Brochure Available**

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by phone at (312) 564-5715 or by email at [jjb@madisonfamilyadvisors.com](mailto:jjb@madisonfamilyadvisors.com)

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## Item 4: Advisory Business

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### Firm Description

Madison Family Advisors, Inc. (Madison Family Advisors, MFA, firm, our, and or we) was formed in June of 2011. MFA is owned by Bhagyashree RaoRane and is operated by John J. Betterman.

John J. Betterman was previously President of Oak Family Advisors, LLC.

Oak Family Advisors, LLC was the new name assigned from Betterman Investment Group, LLC August 25<sup>th</sup> of 2010.

Betterman Investment Group, LLC (B.I.G.) was a registered investment adviser, providing investment management and wealth advisory services to families and individuals. John J. Betterman founded Betterman Investment Group in July of 2006. B.I.G. had approximately \$200 million under management when its name changed to Oak Family Advisors, LLC.

Prior to founding B.I.G., Mr. Betterman was a Private Wealth Advisor at Merrill Lynch where he was responsible for managing exclusively high net worth accounts. John has been in the financial services business, as a whole, for more than 26 years. His experience and proficiency in writing and implementing investment policy statements, setting asset allocation strategy, and presiding over manager selection has qualified and separated him as a trusted advisor to the market.

MFA was founded upon the belief that truly unconstrained investing, that which is free of institutional and corporate conflicts, can only be achieved through the independent advisor model. MFA strives to provide truly objective, unfettered advice that is priced competitively, transparently and always given with the clients' best interest in mind. Fee based pricing, by eliminating individual security commissions, aligns the advisor with the client at all times.

MFA provides investment management services with complimentary financial planning services to individuals and high net worth individuals. The financial planning service is complimentary. We believe that we should become a student of each person's financial situation and that we should be paid fees for investment management. These fees are defined on page 7 under Investment Management Agreement and are charged to all clients. The complimentary financial planning service is offered to all clients and prospective clients and MFA does not require a minimum net worth to become a client. Advice is provided through consultation with the client and may include:

**Investment Management Services:**

Madison Family Advisors, Inc offers proprietary model portfolios that support our philosophy of being long term investors. The models are as follows:

- Capital Preservation: The primary goal is to preserve the initial investment of the client investing to have minimal loss of capital.
- Conservative: The primary goal is still to preserve capital with minimal risk to the principal. Slight volatility is acceptable.
- Income: Preservation of principal is important, but providing income to the client is the primary goal. Slight volatility is acceptable.
- Conservative Growth: Preservation of capital is important with income. The portfolio would accept some volatility with investments in stocks to create a small hedge against inflation.
- Moderate Growth: The client is willing to take some risk for a higher return. Hedging inflation is becoming more important.
- Growth: The client is willing to take on more risk for a higher return. More volatility is acceptable.
- Aggressive Growth: The client is willing to take on higher risk for a higher return. Significant loss of principal is possible.

We believe in both active and passive management of assets. The size of the portfolio and risk tolerance of the client will assist Madison Family Advisors, Inc. in determining the composition of the individual investments within each model portfolio. Our primary goal with all of our clients is to preserve capital with the goal of carefully growing their assets over time. Madison Family Advisors, Inc. tends to take a contrarian view and strives to make decisions that are opposite of what the masses are doing. It is our goal to prepare our clients to invest when others are fearful and trim profits when most are greedy.



Compensation for the above services is outlined below in our Investment Management Agreement.

See Risk Factors in Item 7.

MFA does not have any assets under management at this time. Though formed in June of 2011, there are currently no assets being managed in the firm.

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### **Investment Management**

After selecting the appropriate model portfolio, the investments to be made in the portfolio generally include stocks, bonds, no-load mutual funds, and exchange-traded funds. They may also include:

- equities (stocks),
- warrants, corporate debt securities,
- commercial paper,
- certificates of deposit,
- municipal securities,
- investment company securities (variable life insurance, variable annuities, and mutual funds shares),
- U.S. government securities,
- options contracts,
- futures contracts, and
- interests in partnerships.

### **Financial Planning Services:**

- identification of financial problems: (2-4 hours)
  - Learning from the client what their primary goals are which may include planning for retirement or educating their children and grandchildren, as examples.
- cash flow management: (1-2 hours)
  - Ensuring that the client has enough monthly income during their working years and in retirement.
- tax planning: (1-3 hours)
  - This entails working with the client's tax advisor to make sure that we are being tax efficient with how we are investing.
- insurance review: (1-2 hours)
  - It is important to review their insurance needs to be sure that, in the event of death, there is enough money available to live on

through the life expectancy of the living spouse or enough insurance to pay the estate tax for high net worth families.

- investment management: (1-3 hours)
  - After understanding the entire balance sheet, cash flow needs and the risk tolerance of the client, we would work to create an asset allocation determining how much should be allocated to stock, bonds, cash and alternative investments (private equity, real estate and hedge funds).
- education funding: (1-2 hours)
  - For each child and or grandchild, we model the expected cost of a college education.
- retirement planning: (1-3 hours)
  - We work to calculate what the expenses will be in retirement and work to ensure that there is cash flow available to pay these expenses. We also work to understand what growth is needed so that the client does not outlive his/her assets.
- estate planning: (2-4 hours)
  - Structure is important to us. In other words, it is important that we understand the estate plan to be sure we are investing in a way that is consistent with the estate plan. Some structures will call for taxable investments while other structures will call for tax free investments. The same could be said for growth investments versus income investments. Some structures may be better suited for growth versus income. The reverse is true as well.

During the planning process, some clients may have restrictions on the types of investments to be socially responsible. As an example, this may include restrictions on purchasing tobacco companies, some healthcare companies or companies that hurt the environment. MFA would work to honor the requests certain clients have to be sure we do not invest in companies or industries that the client would not like to invest in.

We currently do not have wrap fee accounts.

After completing the plan, it is important to tailor the investment solutions to each client's needs. After reviewing and analyzing the client's situation through the financial plan, MFA would then begin to construct the asset allocation; specifically, how much should be allocated to stock, bonds, cash and other investments (i.e. private equity, real estate and hedge funds).

We are a fee-only investment management firm. The firm does not sell annuities or other commissioned products.

A written evaluation of each client's initial situation is provided to the client, often in the form of a net worth statement. Periodic reviews, usually on a quarterly basis, are also communicated to provide reminders of the specific courses of action that need to be taken. More frequent reviews occur but are not necessarily communicated to the client unless immediate changes are recommended.

Other professionals (e.g. lawyers, accountants, insurance agents, etc.) are engaged directly by the client on an as-needed basis. Conflicts of interest will be disclosed to the client in the event they should occur.

The initial meeting, which may be by telephone at (847) 321-1617, which is free of charge and is considered an exploratory interview to determine the extent to which financial planning and investment management may be beneficial to the client.

MFA has approximately \$203mm under management as of April 17, 2013.

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### **Principal Owners**

Bhagyashree RaoRane is the sole owner of Madison Family Advisors. Madison Family Advisors is owned by Bhagyashree RaoRane and controlled by John J. Betterman.

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### **Client Relationships**

The goals and objectives for each client are documented in our client relationship management system. Investment policy statements are created that reflect adherence with the stated goals and objectives of our clients. Clients may impose restrictions on investing in certain securities or types of securities.

Agreements may not be assigned without client consent.

## Item 5: Fees and Compensation

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### Description

Madison Family Advisors, Inc. base our fees on a percentage of assets under management.

- Fees charged on a percentage of assets is defined in the Investment Management Agreement below.

MFA does not have a minimum account size at this time for traditional investment accounts.

There is a \$50mm minimum to invest in a separate account with the MFA Expanded Income Strategy.

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### Investment Management Agreement

The majority of Madison Family Advisor Inc.'s compensation is realized by assessing a fee on assets under management. Most clients choose to have us manage their investments pursuant to an *Investment Management Agreement*. The annual fee for an Portfolio Management Agreement is as follows and is negotiable.

#### Fixed Income

<u>Fee Schedule</u>	
<u>Assets</u>	<u>Annual Fee</u>
Less than \$1,000,000	0.75%
\$1,000,000 - \$2,500,000	0.65%
\$2,500,000 - \$5,000,000	0.50%

\$5,000,000 - \$10,000,000	0.40%
More than \$10,000,000	Negotiable

## Equity

### Fee Schedule

<u>Assets</u>	<u>Annual Fee</u>
Less than \$1,000,000	1.25%
\$1,000,000 - \$2,500,000	1.10%
\$2,500,000 - \$5,000,000	0.90%
\$5,000,000 - \$10,000,000	0.75%
More than \$10,000,000	Negotiable

As discussed in the Agreement, the Management Fee is billed on a quarterly basis, in advance, based upon the average daily balance of the Assets in the previous quarter as valued by the Custodian.

An advisory client has the right to terminate the contract without penalty within five (5) business days after entering into the contract. The advisory client has the right to terminate the contract at any time. If the client should terminate, fees would be refunded on a pro-rata basis.

There are no other advisory fees charged to our clients by MFA.

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## Fee Billing

We bill investment management fees quarterly, in advance, meaning that we invoice you at the beginning of the three-month billing period. Payment in full is expected upon invoice presentation. Fees are usually deducted from a designated client account to facilitate billing.

The client must consent in advance to direct debiting of their investment account.

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## Other Fees

Madison Family Advisors, in its sole discretion, may waive its minimum fee and/or charge a lesser investment advisory fee based upon certain criteria

(e.g., historical relationship, type of assets, anticipated future earning capacity, anticipated future additional assets, dollar amounts of assets to be managed, related accounts, account composition, negotiations with clients, etc.).

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**Expense Ratios**

Mutual funds generally charge a management fee for their services as investment managers. The management fee is called an expense ratio. For example, an expense ratio of 0.50 means that the mutual fund company charges 0.5% for their services. These fees are in addition to the fees paid by you to the firm.

Performance figures quoted by mutual fund companies in various publications are after their fees have been deducted meaning that the return quoted is net of all costs and fees.

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**Past Due Accounts and Termination of Agreement**

We reserve the right to stop work on any account that is more than 90 days overdue. In addition, we reserve the right to terminate any financial planning engagement where a client has willfully concealed or has refused to provide pertinent information about financial situations when necessary and appropriate, in the firm's judgment, to providing proper financial advice. Any unused portion of fees collected in advance will be refunded within 30 days.

A client may terminate any of the aforementioned agreements at any time by notifying Madison Family Advisors, Inc. in writing and paying the rate for the time spent on the investment management engagement prior to notification of termination. If the client made an advance payment, the firm will refund any unearned portion of the advance payment.

The firm may terminate any of the aforementioned agreements at any time by notifying the client in writing. If the client made advance payment, the firm will refund any unearned portion of the advance payment.

Clients may terminate the investment management agreement without penalty within five business days after signing, if the client was not furnished with Form ADV Part 2 at least 48 prior to signing.

## **Item 6: Performance-Based Fees**

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**Sharing of Capital Gains**

We do not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client) as we believe that the use of a performance-based fee structure creates the potential for a

conflict of interest and may create an incentive for the adviser to recommend an investment that may carry a higher degree of risk to the client.

## Item 7: Types of Clients

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### Description

Madison Family Advisors provides investment advice mainly to:

- Individuals
- High Net Worth Individuals

Client relationships vary in scope and length of service.

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### Account Minimums

The firm does not have a minimum account size or minimum annual fee.

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

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### Methods of Analysis

Security analysis methods may include charting, fundamental analysis, technical analysis and cyclical analysis.

#### Charting

Charting analysis seeks to identify resistance and support reference prices for decisions to buy (price hits the support) or sell (price hits the resistance). Through charting, the analysis seeks to identify price patterns and market trends in financial markets. Charting may apply to long-term investing or be used as a market-timing strategy, depending on the time-frame of the price charts.

#### Fundamental

Fundamental analysis maintains that markets may misprice a security in the short run, but that the "correct" price will eventually be reached by the market. The fundamental analysis of a business involves analyzing a business: financial statements and health, management and competitive advantages, and competitors and markets. When applied to futures and forex, it focuses on the overall state of the economy, interest rates, production, earnings, and management.

#### Technical

Technical analysis maintains that all information is already reflected in the stock price. Technical analysis is a discipline for forecasting the direction of prices through the study of past market data, primarily price and volume.

Generally, technical analysis employs models and trading rules based on price and volume transformations, such as the relative strength index, moving averages, regressions, inter-market and intra-market price correlations, business cycles, stock market cycles or, classically, through recognition of chart patterns.

### Cyclical

Cyclical analysis generally targets cyclical stocks for purchase of equity securities when the ratio of price-to-earnings (P/E Ratio) is low, and sell them when the P/E Ratio is high (i.e. when earnings are peaking). The P/E Ratio is a measure of the price paid for a share relative to the annual net income or profit earned by the firm per share.

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## **Sources of Information**

The main sources of information we use to analyze these investment strategies include:

- financial newspapers and magazines,
- inspections of corporate activities,
- research materials prepared by others,
- corporate rating services,
- annual reports,
- prospectuses,
- filings with the Securities and Exchange Commission, and
- company press releases.

Other sources of information that we may use include:

- Morningstar Principia mutual fund information,
- Morningstar Principia stock information,
- Advisor Intelligence, and the
- World Wide Web.

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## **Investment Strategies**

The primary investment strategy used on client accounts is strategic asset allocation. This means that we provide active management, passively-managed indexes and exchange-traded funds. Portfolios are globally diversified to control the risk associated with traditional domestic markets only.

The investment strategy for a specific client is based upon the objectives stated by the client during consultations. The client may change these objectives at any time. Each client executes an Investment Policy Statement that documents their objectives and their desired investment strategy.



Other strategies may include long-term purchases, short-term purchases, trading, short sales, margin transactions, and option writing (including covered options, uncovered options or spreading strategies).

As of March, 2013 the MFA Expanded Income Strategy has been accepted on Morningstar's separate account database. A one page fact sheet outlining the strategy is attached.

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### **Investment Strategy Risk**

Investing in securities involves risk of loss that clients should be prepared to bear. All investment programs have certain risks that are borne by the investor. Our investment approach seeks to keep the risk of loss in mind. Investors face the following investment risks:

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.

- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

## **Item 9: Disciplinary Information**

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### **Legal and Disciplinary**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Madison Family Advisors or the integrity of our management.

The Firm and its employees have not been involved in legal or disciplinary events related to past or present investment clients of the Firm. Form ADV Part 2 B contains legal and disciplinary disclosures for any persons associated with the firm.

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

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### **Financial Industry Activities**

Madison Family Advisors is currently under state jurisdiction only seeking registration as an investment adviser with the Illinois Securities Department.

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### **Affiliations**

John J. Betterman is currently an investment adviser representative for the federal covered investment adviser, Oak Family Advisors, LLC.

## **Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

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### **Code of Ethics**

The employees of the firm have committed to a Code of Ethics that is available for review by clients and prospective clients upon request. The firm will provide a copy of the Code of Ethics to any client or prospective client upon request.

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### **Participation or Interest in Client Transactions**

Madison Family Advisors and its employees may buy or sell securities that are also held by clients. Employees may not trade their own securities ahead of client trades. Employees comply with the provisions of the firm's Compliance Manual.

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**Personal Trading**

The Chief Compliance Officer of Madison Family Advisors is John J. Betterman. He reviews all employee trades each quarter. The personal trading reviews ensure that the personal trading of employees does not affect the markets, and that clients of the firm receive preferential treatment. Since most employee trades are small mutual fund trades, exchange-traded fund trades, or specific stock or bond trades, the trades do not affect the securities markets.

## **Item 12: Brokerage Practices**

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**General**

The firm does not receive fees or commissions from any of these arrangements. The firm does not have any affiliation with product sales firms. The firm uses investment managers for certain fixed income, equities and alternative accounts. Such investment managers charge a fee usually based on a percentage of assets under management. Fund companies charge each fund shareholder an investment management fee that is disclosed in the fund prospectus. Stock brokerages may charge a transaction fee for the purchase of some funds.

Stocks and bonds may be purchased or sold through a brokerage account when appropriate. The brokerage firm charges a fee for stock and bond trades. Madison Family Advisors does not receive any compensation, in any form, from fund companies or brokerage firms so employed.

Madison Family Advisors, Inc. does not receive a direct or indirect fee for the use of outside investment managers. These selected managers receive a fee from the client directly.

If a client should be referred to a dealer, Madison family Advisors, Inc. would refer clients to dealers registered in states where the clients reside.

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**Best Execution**

We review the execution of trades at each custodian each quarter. Trading fees charged by the custodians is also reviewed on a quarterly basis. We do not receive any portion of the trading fees.

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**Soft Dollars**

We do not currently receive any software maintenance credits from custodians and or have any other soft dollar arrangements with third parties.

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**Order Aggregation**

Most trades are mutual funds or exchange-traded funds where trade aggregation does not garner any client benefit. We may engage in bunched trading, which is the purchase or sale of a security for the accounts of multiple

clients in a single transaction. If a bunched trade is executed, each participating client receives a price that represents the average of the prices at which all of the transactions in a given bunch were executed. Executing a bunched trade allows transaction costs to be shared equally and on a pro rata basis among all of the participating clients. If the order is not completely filled, the securities purchased or sold are distributed among participating clients on a pro rata basis or in some other equitable manner.

Bunched trades are placed only when we reasonably believe that the combination of the transactions provides better prices for clients than had individual transactions been placed for clients. Transactions for nondiscretionary client accounts, if any are not bunched with transactions for discretionary client accounts. Transactions for the accounts of our employees and advisory representatives may be included in bunched trades. They receive the same average price and pay the same commissions and other transaction costs, as clients. Transactions for the accounts of our advisory representatives or employees will not be favored over transactions for client accounts.

We are not obligated to include any client account in a bunched trade. Bunched trades will not be affected for any client's account if doing so is prohibited or otherwise inconsistent with that client's investment advisory agreement. No client will be favored over any other client.

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### **Client Directed**

Clients may instruct us to direct all or a portion of the securities transactions for its account to a specified broker or dealer. We will treat the client direction as a decision by the client to retain the discretion that otherwise would have in selecting a broker-dealer to effect transactions and in negotiating transaction fees generally for the client's account. The client who directs us to use a specific broker may pay higher or lower transaction fees such as commissions, commission equivalents, mark-ups, mark-downs, dealer spreads, credits or otherwise, and may receive less or more favorable execution services than if the client did not direct transactions to a particular broker.

Any instruction or limitation relating to the selection of broker-dealers must be in writing. Because client-directed trades often cannot be aggregated with non-directed trades, such designations may adversely affect MFA's ability to obtain volume discounts on aggregated orders or to obtain best price and execution by effecting certain transactions directly with the market maker.

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### **Trade Errors**

We will attempt to correct trading errors as soon as they are discovered. To the extent the error was caused by us, we will take appropriate steps to correct at our expense.

## Item 13: Review of Accounts

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### Periodic Reviews

Account reviews are performed quarterly by advisors John J. Betterman, President. Account reviews are performed more frequently when market conditions dictate.

Account reviewers are members of the firm's Investment Committee. They are instructed to consider the client's current security positions and the likelihood that the performance of each security will contribute to the investment objectives of the client.

Clients receive periodic communications on at least an annual basis. *Investment Management* clients, and *Retainer Agreement (primarily financial planning)* clients receive written quarterly updates. The written updates may include a net worth statement, portfolio statement, and a summary of objectives and progress towards meeting those objectives

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### Review Triggers

Other conditions that may trigger a review are changes in the tax laws, new investment information, and changes in a client's own situation.

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### Net Worth Statements

Upon request, clients are provided net worth statements and net worth graphs that are generated from our eSolution system. Net worth statements contain approximations of bank account balances provided by the client, as well as the value of land and hard-to-price real estate. The net worth statements are used for long-term financial planning where the exact values of assets are not material to the financial planning tasks.

## Item 14: Client Referrals and Other Compensation

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### Solicitors

The firm does not compensate any third party for referral of clients.

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### Other Compensation

Other than the fees described herein, we do not receive any other compensation related to the management of client accounts.

## Item 15: Custody

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### Selection of Custodians

The firm does not take custody of client accounts. The client always maintains asset control. Specific custodian recommendations are made to clients based on their needs for such services. We recommend custodians based on

the proven integrity and financial responsibility of the custodian and the best execution of orders at reasonable commission rates.

Custodians may charge transaction fees on purchases or sales of certain mutual funds and exchange-traded funds. These transaction charges are usually small and incidental to the purchase or sale of a security.

We recommend brokerage firms and trust companies (qualified custodians), such as Ameritrade Institutional Brokerage Group.

The firm does not receive fees or commissions from any of these arrangements.

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### **Account Statements**

All assets are held at qualified custodians and as such, we do not act as a custodian of client assets. As a result, the qualified custodians provide account statements directly to our clients at their address of record at least quarterly, but usually monthly.

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### **Performance Reports**

Clients are urged to compare the account statements received directly from their custodians to the performance report statements provided by Madison Family Advisors.

## **Item 16: Investment Discretion**

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### **Discretionary Authority for Trading**

We may manage your accounts on a discretionary or non-discretionary basis. We will only manage your account on a discretionary basis upon obtaining your consent. This discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account. Your consent is typically granted and evidenced in the investment management agreement that you sign with us. We define discretion as: the ability to trade your account without obtaining your prior consent and to determine the securities and amount of securities to be bought or sold and the timing of the purchase or sale. It does not extend to the withdrawal or transfer of your account funds.

We may give advice and take action in the performance of our duties to you, which differs from advice given, or the timing and nature of action taken, with respect to our clients' accounts.

Discretionary trading authority facilitates placing trades in your accounts on your behalf so that we may promptly implement the investment policy that you have approved in writing.

When selecting securities and determining amounts, we observe the investment policies, limitations and restrictions of the clients for which we advise. For registered investment companies, our authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

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**Limited Power of Attorney**

A limited power of attorney is a trading authorization for this purpose. You sign a limited power of attorney so that we may execute the trades that you have approved.

## **Item 17: Voting Client Securities**

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**Proxy Votes**

We do not have the authority to vote proxies solicited by, or with respect to, the issuers of securities held in your account. Typically, proxy materials will be forwarded to you by our custodian. We will forward proxy materials that we may receive to you. Please contact us at any time with questions you may have regarding proxy solicitations.

In addition, we do not take any action or render any advice with respect to any securities held in any accounts that are named in or subject to class action law suits or bankruptcy proceedings. However, we will forward you any information we receive regarding class action legal matters involving any security held in your account.

## **Item 18: Financial Information**

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**Financial Condition**

We are required to provide you with certain financial information or disclosures about financial condition which would impair our ability to provide the advisory services described herein. We have no financial commitment that impairs our ability to meet contractual and fiduciary commitments to clients, and we have not been the subject of a bankruptcy proceeding.

Madison Family Advisors, Inc. does not retain client's cash or securities or accept prepayment of fees in excess of \$500.00 per client and six (6) or more months in advance.

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## **Item 19: Requirements for State Registered Advisers**

- John J. Betterman (Chief Executive Officer) was born in 1962. Mr. Betterman received a Bachelor of Arts with double majors in Economics and Psychology from University of Illinois in 1984. Mr.

Betterman received a Masters in Management with Concentrations in International Business, Marketing and Finance from Northwestern University's Kellogg Graduate School of Management in 1993. Mr. Betterman has been with Oak Family Advisors, LLC since 2010, when its name changed from Betterman Investment Group, LLC to Oak Family Advisors, LLC in 2010. Prior to 2010, Mr. Betterman founded Betterman Investment Group, LLC. His title was Chief Executive Officer.

- John J. Betterman is currently an investment adviser representative for the federal covered investment adviser, Oak Family Advisors, LLC.
- Madison Family Advisors, Inc. currently does not pay performance based fees.
- John J. Betterman has gone to arbitration one (1) time since beginning in the business in March of 1987. As described in the Investment Adviser Representative Public disclosure Report, please read below:
  - The arbitration took place while Mr. Betterman was at Merrill Lynch, Pierce, Fenner and Smith, Inc.
  - Allegations: Customers allege that Financial Adviser made unsuitable investments in light of their investment objectives. The investment strategy was also contrary to the long-term growth portfolio selected for them. Customers further allege that Financial Advisor gave false and misleading assurances regarding their accounts.
  - Alleged Damages: \$680,699.00
  - Settlement Amount: \$180,000.00
  - This claim was settled at mediation, without admitting any liability, to avoid the expense of further litigation.
- John J. Betterman does not have any relationship or arrangement with any issuer of securities. All disclosures regarding any other affiliations have been made in this document.

## Item 20: Privacy

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### Privacy Notice

We are committed to maintaining the confidentiality, integrity and security of the personal information that is entrusted to us.

The categories of nonpublic information that we collect from you may include information about your personal finances, information about your health to the extent that it is needed for the financial planning process, information about transactions between you and third parties, and information from consumer



reporting agencies, e.g., credit reports. We use this information to help you meet your personal financial goals.

With your permission, we disclose limited information to attorneys, accountants, and mortgage lenders with whom you have established a relationship. You may opt out from our sharing information with these nonaffiliated third parties by notifying us at any time by Telephone - (847) 321-1617, mail, Fax - (402) 333-4113, or in person. With your permission, we share a limited amount of information about you with your brokerage firm in order to execute securities transactions on your behalf.

We maintain a secure office to ensure that your information is not placed at unreasonable risk. We employ a firewall barrier, secure data encryption techniques and authentication procedures in our computer environment.

We do not provide your personal information to mailing list vendors or solicitors. We require strict confidentiality in our agreements with unaffiliated third parties that require access to your personal information, including financial service companies, consultants, and auditors. Federal and state securities regulators may review the Firm's records and your personal records as permitted by law.

Personally identifiable information about you will be maintained while you are a client, and for the required period thereafter that records are required to be maintained by federal and state securities laws. After that time, information may be destroyed.

We will notify you in advance if our privacy policy is expected to change. We are required by law to deliver this *Privacy Notice* to you annually, in writing.