

# Comprehensive Financial Management

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Firm Disclosure Brochure

(Form ADV Part 2A)

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This brochure provides information about the qualifications and business practices of Comprehensive Financial Management. If you have any questions about the contents of this brochure, please contact Tim Sarhatt at (408) 358-3316. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority. Registration with the SEC or notice filing with any state securities authority does not imply a certain level of skill or training.

Additional information about Comprehensive Financial Management is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## **I. Advisory Business**

Comprehensive Financial Management (“CFM”) is a California limited liability company. CFM operates a multi-family office, investment advisory and accounting firm with headquarters located in Los Gatos, CA. CFM has offered accounting and advisory services since inception and has offered family office services since 1996. The firm has two partners and principal owners, Michael G. Mohr, who founded CFM, and Gregory R. Hardester, who joined the firm in 1996.

CFM views every client relationship as a long-term relationship and partnership. We seek the client’s input and welcome feedback on how to serve our clients better. We tailor investment strategies to fit the short-term and long-term goals and needs of our clients.

CFM customizes and personalizes our broad range of services to provide each client with the best service possible. In addition to investment advisory services, CFM also provides the following services to our clients:

- Tax management, analysis, and consulting
- Estate planning and generational wealth transfer strategies
- Lifestyle asset acquisition and management
- Governance consulting
- Financial audit assistance
- Accounting, bill pay, and audit management
- Philanthropic management and consulting

### **CFM Investment Advisory and Investment Management**

CFM’s investment advisory and planning services are designed to be part of a collaborative process that results in an integrated approach to meeting each client’s short-term and long-term goals and targets. Each client’s engagement manager and CFM staff members design and implement, with client participation, investment strategies that will deliver the financial means to achieve the client’s goals, targets, and aspirations.

CFM generally utilizes the following process to design a custom set of services and investments for each client:

- Identify and prioritize client goals and objectives: CFM tailors each client’s investment portfolio based on a detailed understanding of the client’s goals, targets, and preferences. Goals include financial security, support of family members, wealth transfer across generations, business responsibilities, and charitable and philanthropic goals.
- Gather and analyze relevant information: CFM uses data provided by the client on its existing investment portfolio and financial obligations to construct customized return requirements, risk tolerance, and liquidity needs. CFM may work with the third-party service (legal, accounting, etc.)

providers and advisers engaged separately by the client to obtain relevant information and coordinate strategies and actions.

- Propose recommendations: CFM prepares a written plan and presentation for the client to review. Subsequent revisions are performed until the plan meets with the client's approval.
- Plan Implementation: After the client approves the plan, CFM begins the implementation process, drawing on existing investments and external manager relationships as appropriate.
- Monitoring progress: CFM reviews goals and targets with the client to ensure progress and to allow the client to update its goals and targets with us.

As of December 31, 2012, CFM managed \$11.1 billion in total assets on a solely discretionary basis.

## **II. Fees and Compensation**

### **Hourly work-based fees**

CFM bills its investment clients on an hours-worked basis. The firm has specific arrangements in place with each client, and the fees are determined by the client and the engagement manager and are fully documented. Employees' time is billed to clients monthly based on the number of hours each employee dedicated to each client's investments. Employees' hourly rates vary based on salary level, seniority, and responsibility. Engagement managers review draft billings for all clients monthly before bills are sent out and review actual and expected fee levels with clients.

## **III. Performance-Based Fees and Side-by-Side Management**

### **Performance-based fees**

In addition to hourly fees, some clients are also charged for investment services based on the performance of their investments. CFM does not have a fixed performance fee schedule. The structure is negotiated by each client separately. The client and CFM agree on the performance fee, if any, to be paid, the assets to be included in the fee structure, and other relevant terms by which performance fees are calculated and paid. Not all clients are charged a performance fee. Performance-based fees are charged by CFM; employees of CFM do not have separate compensation agreements with CFM clients.

In the allocation of investment opportunities, performance-based fee arrangements may also create: (i) an incentive for CFM to favor clients with performance fee arrangements over clients that are not charged, or from which CFM will not receive (e.g., because CFM has not met the relevant performance threshold, if one exists), a performance fee and (ii) an incentive to favor accounts from which it will receive a greater performance fee over accounts from which it will receive a lesser performance fee. CFM has adopted an investment allocation policy and procedures (the "Allocation Procedures") designed to ensure that all clients are treated fairly and equally and to prevent this form of conflict from

influencing the allocation of investment opportunities among clients. In accordance with the Allocation Procedures, CFM and its personnel will endeavor to treat clients in a fair and equitable manner.

## **IV. Types of Clients**

CFM manages investments for high-net-worth individuals and families. Within each client relationship CFM is able to manage assets for a variety of entities, including

- Personal accounts in the client's name
- Living trusts, charitable remainder trusts, and other trusts
- Limited liability companies and other partnership and corporate structures
- Foundations and other nonprofit organizations

## **V. Methods of Analysis, Investment Strategies and Risk of Loss**

### **Methods of financial analysis**

CFM constructs custom investment programs specifically designed for each client. The firm considers the type of client (individual, nonprofit, etc.), the client's return requirements and risk tolerances, the timing and size of liquidity needs, the tax status, and the overall life situation of the client. CFM uses a combination of computer programs, internal models, scenario-based analyses, and qualitative discussions and analyses to create a portfolio management structure for each client.

### **Investment strategies**

The investment strategies that result from the analysis of client and market data generally fall into capital preservation, capital growth, current income generation, or a balance between the three. Asset allocations can include domestic and international assets and include equity, bond and fixed income, real estate, and alternative investment holdings while maintaining appropriate levels of liquidity to meet expected spending needs. CFM builds highly customized portfolios that match a client's return requirements, risk profile, and liquidity needs. CFM will also recommend strategies that tie into estate planning and intergenerational transfer of assets.

### **Sources of information**

Clients provide most of the information used to construct the financial plan:

- Financial goals, both short-term and long-term
- Existing assets and liabilities
- Current and expected sources of income

- Risk tolerance
- Future projects and other possible uses of capital

CFM also uses market, economic, and investment data such as

- Asset class returns for stocks, bonds, and other assets
- Current and expected interest rates
- Current and expected inflation rates
- Current and expected tax regulations and tax rates
- Analysis and commentary from internal and external sources

## Investment Risk Factors

Investing in securities and other assets involves a potential risk of loss due to various market, economic, political, regulatory, business, currency, counterparty and other risks. CFM does not guarantee the future performance of any client account, investment decision or strategy. Future results may vary substantially from past performance and no investment strategy can guarantee profit or protection from loss. Returns on investments can be volatile and a client may lose all or a portion of their investment.

Equity and equity-related investments are volatile and will increase or decrease in value based upon issuer, economic, market and other factors. Small capitalization stocks generally involve higher risks in some respects than do investments in stocks of larger companies and may be more volatile. The securities of non-U.S. issuers also involve a high degree of risk because of, among other factors, the lack of public information with respect to such issuers, less governmental regulation of stock exchanges and issuers of securities traded on such exchanges and the absence of uniform accounting, auditing and financial reporting standards. The non-U.S. domicile of such issuers and currency fluctuations may also be factors in assessment of financial risk to a client. Foreign securities markets are often less liquid than U.S. securities markets, which may make the disposition of non-U.S. securities more difficult. Emerging markets can be subject to greater social, economic, regulatory and political uncertainties and can be extremely volatile.

Investments in fixed income securities are subject to credit, liquidity, prepayment and interest rate risks, any of which may adversely impact the price of the security and result in a loss. The municipal market is volatile and can be significantly affected by adverse tax, legislative or political changes and the financial condition of the issuers of municipal securities.

Alternative investments, such as hedge funds and private equity/venture capital funds, are speculative and involve a high degree of risk. Secondary markets for alternative investments are limited and there may be significant restrictions or limitations on withdrawing from or transferring these types of investments. Private equity funds generally require an investor to make and fund a commitment over several years. Alternative investments generally have high fees (including both management and performance based fees) and expenses that partially offset returns. Alternative investments are generally subject to less regulation than publicly traded investments.

The use of third party managers in investment programs involves additional risks. The success of the third party manager depends on the capabilities of its investment management personnel and infrastructure, all of which may be adversely impacted by the departure of key employees and other events. The future results of the third party manager may differ significantly from the third party manager's past performance. While CFM intends to employ reasonable diligence in evaluating and monitoring third party managers, no amount of diligence can eliminate the possibility that a third party manager may provide misleading, incomplete or false information or representations, or engage in improper or fraudulent conduct, including unauthorized changes in investment strategy, insider trading, misappropriation of assets and unsupportable valuations of portfolio securities.

CFM's internally managed investment strategies (and some third party manager strategies) generally will hold a relatively concentrated portfolio of securities in comparison to their respective benchmarks and broader market indices. In addition, certain of these strategies may be impacted (positively or negatively) by the performance of one or more positions in the portfolio or the sectors in which the strategies focus their investments.

The investment risks described above represent some but not all of the risks associated with various types of investments and investment strategies. Clients should carefully evaluate all applicable risks with any investment or investment strategy, and realize that investing in securities involves risk of loss that clients should be prepared to bear. Clients should also refer to the offering documents for the funds or other collective investment vehicles in which they are invested for additional information relating to investment risks.

## **VI. Disciplinary Information**

CFM has never been the subject of regulatory action, disciplinary action, or other proceedings of the SEC or of FINRA. CFM has never been the subject of a state proceeding or any other legal proceeding.

## **VII. Other Financial Industry Activities and Affiliations**

CFM does not have any subsidiaries, affiliates, or related company relationships. The firm is wholly-owned by its two partners. CFM does not have any arrangements with broker-dealers, distributors, placement agents, or other advisors.

CFM selects third party managers to manage client capital. Neither CFM nor any of its employees receive compensation from third party managers in exchange for the firm's recommendations.

## **VIII. Code of Ethics, Participation or Interest in Transactions and Personal Trading**

CFM has adopted policies and procedures that put restrictions in place for employees when they trade for their own accounts. These policies and the conditions are designed to minimize conflicts of interest with respect to a client. The policies are available to clients upon request.

### **Participation or interest in client transactions**

In general, CFM does not buy or sell securities for its own account acting as principal when a client is the counterparty to the transaction. If it enters into any principal transaction with a client account, or if it engages in cross-trades between the accounts of clients, it will obtain the consents required by and otherwise comply with the Federal securities laws.

### **Personal trading rules and procedures**

CFM prohibits employees from owning or trading in shares of companies that our clients founded and companies in which clients or employees have inside information. All Employees are bound by this policy and new employees are presented with the policies and procedures as part of their employee orientation package. The list of restricted securities includes those issued by companies in which, during the course of their normal business affairs (including board of director positions), clients and employees might acquire inside information. The list is reviewed periodically and revised by CFM's chief compliance officer as the firm's clients' activities change.

Excluding stocks on the prohibited list, CFM allows employees to own stocks that are held in client portfolios. Permissible employee holdings include stocks that CFM clients hold directly as well as stocks that third party managers purchase for client accounts.

### **Insider trading policy**

CFM employees may come into possession of material nonpublic information during the normal course of business. CFM employees are bound by United States laws and legal restrictions on communicating and acting on inside information that might be of benefit to themselves or CFM clients.

## **IX. Brokerage Practices**

CFM does not act as a broker or agent by effecting securities transactions directly. The firm may, and generally does, determine the broker or dealer to be used to trade securities for our clients based on cost and on trading skill and execution. CFM does not receive compensation, research, or other products or services other than execution in return for directing client securities transactions. We do not request clients to direct their execution to specific third parties.



CFM typically does not manage assets through aggregated or multi-client-owned entities. CFM directs all transactions for each client individually.

## **X. Review of Accounts**

All accounts are reviewed at least quarterly to verify that

- asset allocations are within stated policy limits
- manager performance is consistent with stated strategy, market performance, and acceptable risk levels
- cash levels are adequate to meet near-term spending needs

All accounts are reviewed annually to determine whether the goals and objectives have changed, and to verify that the portfolio is well-designed to achieve the goals and objectives going forward.

Clients receive portfolio reporting as frequently as they desire. Some clients choose to receive monthly reporting, while others receive reports annually. CFM customizes the frequency and the level of detail in client reports to the client's needs and desires. Reports are typically delivered electronically.

## **XI. Client Referrals and Other Compensation**

CFM employees are paid according to the description above under "Fees and Compensation". There are no other arrangements under which employees are compensated for the services they, or the firm, provide to clients.

## **XII. Custody**

Rule 206(4)-2 promulgated under the Advisers Act (the "Custody Rule") (and certain related rules and regulations under the Advisers Act) imposes certain obligations on registered investment advisers that have custody or possession of any funds or securities if the adviser directly or indirectly holds client funds or securities or has the authority to obtain possession of them.

CFM is required to maintain the funds and securities (except for securities that meet the privately offered securities exemption in the Custody Rule) over which they have custody with a "qualified custodian". Qualified custodians include banks, brokers, futures commission merchants and certain foreign financial institutions.

Rule 206(4)-2 imposes on advisers with custody of clients' funds or securities certain requirements concerning reports to such clients and surprise examinations relating to such clients' funds or securities. CFM maintains custody of client assets in accordance with the Custody Rule.

### **XIII. Investment Discretion**

Each client participates in the design of its investment plan and approves it prior to the investment of capital pursuant to such plan. After the client approves its investment plan, the client determines how much investment discretion CFM exercises. Some clients give the firm complete discretion to operate within agreed-upon policies. Other clients participate in the approval process for individual investments. In all cases, CFM designs the plan with client involvement and executes the plan with as much or as little involvement as the client desires.

### **XIV. Voting Client Securities**

Clients can vote the proxies for the shares that they hold, or CFM may vote the proxies on behalf of clients. When CFM votes proxies, it does so pursuant to the proxy voting policy adopted by the Adviser in accordance with Rule 206(4)-6 under the Investment Advisers Act of 1940, which takes client policies, preferences, and wishes into account in determining how to vote each such proxy. In many cases CFM relies on its understanding of the client to determine how the shares should be voted. At times the firm contacts clients to ensure the shares are voted consistent with their wishes. For accounts managed by third-party managers, CFM can include language in the management contract with the third-party manager to ensure shares are voted consistent with our clients' wishes.

### **XV. Financial Information**

CFM does not require or solicit prepayment of fees by our clients.

CFM is not aware of any financial condition that is reasonably likely to impair its ability to meet contractual commitments to its clients.

CFM has not been the subject of a bankruptcy petition at any time during the past ten years.