

# Disclosure Brochure

March 10, 2014

## **NewFocus Financial Group, LLC**

*a Registered Investment Adviser*

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This brochure provides information about the qualifications and business practices of NewFocus Financial Group, LLC (hereinafter "NewFocus"). If you have any questions about the contents of this brochure, please contact Chad Burton at (888) 762-2423. 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 NewFocus Financial Group, LLC is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

NewFocus Financial Group, LLC is an SEC registered investment adviser. Registration does not imply any level of skill or training.

## Item 2. Material Changes

This Item discusses only the material changes that have occurred since NewFocus' last annual update dated March 25, 2013. NewFocus does not have any material changes to disclose in this Item.

## Item 3. Table of Contents

### Firm Disclosure Brochure

Item 1. Cover Page .....	i
Item 2. Material Changes .....	ii
Item 3. Table of Contents.....	iii
Item 4. Advisory Business.....	4
Item 5. Fees and Compensation .....	5
Item 6. Performance-Based Fees and Side-by-Side Management .....	7
Item 7. Types of Clients .....	7
Item 8. Methods of Analysis, Investment Strategies and Risk of Loss .....	8
Item 9. Disciplinary Information.....	10
Item 10. Other Financial Industry Activities and Affiliations .....	10
Item 11. Code of Ethics .....	11
Item 12. Brokerage Practices.....	12
Item 13. Review of Accounts.....	16
Item 14. Client Referrals and Other Compensation .....	16
Item 15. Custody .....	16
Item 16. Investment Discretion.....	17
Item 17. Voting Client Securities .....	17
Item 18. Financial Information.....	17

## Item 4. Advisory Business

NewFocus provides comprehensive financial planning and investment management services to individuals, families, business owners, and professionals as well as trusts, retirement and pension plans. The firm has been in business since November 2004 and is owned by Chad M. Burton, CFP® and Robert F. Black.

As of December 31, 2013, NewFocus had \$246,815,750 in assets under management, all of which was managed on a discretionary basis.

This Disclosure Brochure describes the business of NewFocus. Certain sections will also describe the activities of *Supervised Persons*. *Supervised Persons* are any of NewFocus' officers, partners, directors (or other persons occupying a similar status or performing similar functions), or employees, or any other person who provides investment advice on NewFocus' behalf and is subject to NewFocus' supervision or control.

### Financial Planning and Consulting Services

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NewFocus may provide its clients with a broad range of comprehensive financial planning and consulting services. The firm takes a personal approach to its financial planning and gets to know each client to explore immediate needs, long-term goals, fears, hopes, and risk tolerance. The firm's financial planning may address the following areas:

- Retirement Planning, which includes modeling income flows coming from pensions, retirement plans, and social security, as well as tax analysis and portfolio design;
- Employee Stock Option Planning, which includes providing a framework for effective stock option management and decision making based on value of the client's options, changes to stock prices, the client's specific tax bracket, future vesting and expiration events, and key ratios, quantifying the leveraged risk/reward relationship inherent in the stock option portfolio, and identifying points sensitive to underlying stock movements and alerting the client to specific trigger points;
- Education Planning, which includes planning for future educational expenses;
- Tax Planning, which includes planning relating to investments, retirement plans, IRAs, stock options, Roth IRA conversions, college savings, gifting, insurance, and estate planning;
- Insurance, which includes suggestions on the proper amount and type of insurance to fit a client's needs; and
- Estate Planning, which includes analyzing charitable objectives, preparing for transfer of wealth, and working in conjunction with a client's estate planning attorney (as required).

In performing its services, NewFocus is not required to verify any information received from the client or from the client's other professionals (e.g., attorney, accountant, etc.) and is expressly authorized to rely on such information. NewFocus may recommend the services of itself, and/or other professionals to implement its recommendations. Clients are advised that a conflict of interest exists if NewFocus recommends its own services. The client is under no obligation to act upon any of the recommendations

made by NewFocus under a financial planning or consulting engagement or to engage the services of any such recommended professional, including NewFocus itself. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any of NewFocus' recommendations. Clients are advised that it remains their responsibility to promptly notify NewFocus if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating, or revising NewFocus' previous recommendations and/or services.

### **Investment Management Services**

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Clients can engage NewFocus to manage all or a portion of their assets on a discretionary basis. As further described in response to Item 8, NewFocus primarily allocates clients' investment management assets among mutual funds, exchange-traded funds ("ETFs"), and individual debt and equity securities in accordance with the investment objectives of the client. NewFocus also provides advice about any type of investment held in clients' portfolios.

NewFocus tailors its advisory services to the individual needs of clients. NewFocus consults with clients initially and on an ongoing basis to determine risk tolerance, time horizon and other factors that may impact the clients' investment needs. NewFocus ensures that clients' investments are suitable for their investment needs, goals, objectives and risk tolerance.

Clients are advised to promptly notify NewFocus if there are changes in their financial situation or investment objectives or if they wish to impose any reasonable restrictions upon NewFocus' management services. Clients may impose reasonable restrictions or mandates on the management of their account (e.g., require that a portion of their assets be invested in socially responsible funds) if, in NewFocus' sole discretion, the conditions will not materially impact the performance of a portfolio strategy or prove overly burdensome to its management efforts.

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

NewFocus offers its services on a fee basis, which may include hourly and/or fixed fees, as well as fees based upon assets under management.

### **Financial Planning and Consulting Fees**

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NewFocus may charge a fixed fee and/or hourly fee for financial planning and consulting services. These fees are negotiable, but generally range from \$1,000 to \$7,000 on a fixed fee basis and/or \$225 on an hourly rate basis, depending upon the level and scope of the services and the professional rendering the financial planning and/or the consulting services. If the client engages NewFocus for additional investment advisory services, NewFocus may offset all or a portion of its fees for those services based upon the amount paid for the financial planning and/or consulting services. For ongoing investment

# NewFocus Financial Group, LLC Disclosure Brochure

advisory clients, NewFocus generally includes these services as part of its overall investment management fee after the first year.

Prior to engaging NewFocus to provide financial planning and/or consulting services, the client is required to enter into a written agreement with NewFocus setting forth the terms and conditions of the engagement. All invoices are due within 10 days of receipt.

## **Investment Management Fee**

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NewFocus provides investment management services for an annual fee based upon a percentage of the market value of the assets being managed by NewFocus. NewFocus' annual fee is exclusive of, and in addition to brokerage commissions, transaction fees, and other related costs and expenses which are incurred by the client. NewFocus does not, however, receive any portion of these commissions, fees, and costs.

NewFocus' annual fee is prorated and charged quarterly, in arrears, based upon the market value of the assets being managed by NewFocus on the last day of the previous quarter/month. The annual fee varies (between 0.75% and 1.95%) depending upon the market value of the assets under management and the type of investment management services to be rendered.

NewFocus, in its sole discretion, may negotiate to charge a lesser management fee based upon certain criteria (i.e., anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, *pro bono* activities, etc.).

## **Fees Charged by Financial Institutions**

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As further discussed in response to Item 12 (below), NewFocus generally recommends that clients utilize the brokerage and clearing services of an independent broker-dealer for investment management accounts.

NewFocus may only implement its investment management recommendations after the client has arranged for and furnished NewFocus with all information and authorization regarding accounts with appropriate financial institutions. Financial institutions include, but are not limited to any broker-dealers recommended by NewFocus, broker-dealers directed by the client, trust companies, banks etc. (collectively referred to herein as the "*Financial Institutions*").

Clients may incur certain charges imposed by the *Financial Institutions* and other third parties such as custodial fees, charges imposed directly by a mutual fund or ETF in the account, which are disclosed in the fund's prospectus (e.g., fund management fees and other fund expenses), deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Additionally, for assets outside of any wrap fee

programs, clients may incur brokerage commissions and transaction fees. Such charges, fees and commissions are exclusive of and in addition to NewFocus' fee.

NewFocus' *Agreement* and the separate agreement with any *Financial Institutions* may authorize NewFocus to debit the client's account for the amount of NewFocus' fee and to directly remit that management fee to NewFocus. Any *Financial Institutions* recommended by NewFocus have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management fees paid directly to NewFocus. Alternatively, clients may elect to have NewFocus send an invoice for payment.

### **Fees for Management During Partial Quarters of Service**

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For the initial period of investment management services, the fees are calculated on a *pro rata* basis.

The *Agreement* between NewFocus and the client will continue in effect until terminated by either party pursuant to the terms of the *Agreement*. NewFocus' fees are prorated through the date of termination and any remaining balance is charged or refunded to the client, as appropriate.

Clients may make additions to and withdrawals from their account at any time, subject to NewFocus' right to terminate an account. Additions may be in cash or securities provided that NewFocus reserves the right to liquidate any transferred securities or decline to accept particular securities into a client's account. Clients may withdraw account assets on notice to NewFocus, subject to the usual and customary securities settlement procedures. However, NewFocus designs its portfolios as long-term investments and the withdrawal of assets may impair the achievement of a client's investment objectives. NewFocus may consult with its clients about the options and ramifications of transferring securities. However, clients are advised that when transferred securities are liquidated, they are subject to transaction fees, fees assessed at the mutual fund level (i.e. contingent deferred sales charge) and/or tax ramifications.

If assets are deposited into or withdrawn from an account after the inception of a quarter, the fee payable with respect to such assets will be prorated based on the number of days remaining in the quarter.

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

NewFocus does not provide any services for performance-based fees. Performance-based fees are those based on a share of capital gains on or capital appreciation of the assets of a client.

## **Item 7. Types of Clients**

NewFocus primarily provides its services to individuals.

## Minimum Account Size

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As a condition for starting and maintaining a relationship, NewFocus generally imposes a minimum portfolio size of \$350,000. NewFocus, in its sole discretion, may accept clients with smaller portfolios based upon certain criteria including anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, pre-existing client, account retention, and *pro bono* activities. NewFocus only accepts clients with less than the minimum portfolio size if, in the sole opinion of NewFocus, the smaller portfolio size will not cause a substantial increase of investment risk beyond the client's identified risk tolerance. NewFocus may aggregate the portfolios of family members to meet the minimum portfolio size.

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

### Methods of Analysis

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NewFocus uses a combination of qualitative and quantitative analysis in selecting securities for its portfolios, focusing on overall market valuations, earnings growth, profit margins, and dividend yields. The firm takes a macro-economic view to establish a basic theme as to types of investments. From there, the firm looks to the current business cycle to add tactical weighting across equities and fixed income (where appropriate). NewFocus then researches mutual funds and ETFs to incorporate by reviewing third party research and reports issued by investment managers. The firm then determines how these securities fit into an overall portfolio by looking at sector weighting, asset class weighting, and like securities held in other investments to determine the unsystematic risks involved with the investment.

Fundamental analysis involves the fundamental financial condition and competitive position of a company. NewFocus will analyze the financial condition, capabilities of management, earnings, new products and services, as well as the company's markets and position amongst its competitors in order to determine the recommendations made to clients. The primary risk in using fundamental analysis is that while the overall health and position of a company may be good, market conditions may negatively impact the security.

Technical analysis involves the analysis of past market data rather than specific company data in determining the recommendations made to clients. Technical analysis may involve the use of charts to identify market patterns and trends which may be based on investor sentiment rather than the fundamentals of the company. The primary risk in using technical analysis is that spotting historical trends may not help to predict such trends in the future. Even if the trend will eventually reoccur, there is no guarantee that NewFocus will be able to accurately predict such a reoccurrence.



## Investment Strategies

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The firm's asset allocation may combine individual equities and fixed income, real estate investment trusts (REITs), ETFs, mutual funds, unit investment trusts, closed-end funds, and publicly traded MLPs.

### *Mutual Fund and ETF Portfolios*

These portfolios are designed for investors seeking to limit potential volatility. In these portfolios, the firm blends different types of investment having various capitalizations (large and small) and investment styles (value and growth) within each asset class. NewFocus seeks to determine which asset classes and investment styles are under-valued, fairly valued, and over-valued. NewFocus attempts to capitalize on these discrepancies by weighting higher percentages of a client's portfolio to the investments that offer the greatest value and lower percentages to the investments that the firm believes are the most over-valued.

### *Individual Stock Portfolios*

NewFocus offers an individual stock portfolio focusing on companies with globally diversified revenues, a sustainable competitive advantage, and a history of dividend increases.

## Risks of Loss

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### *Mutual Funds and ETFs*

An investment in a mutual fund or ETF involves risk, including the loss of principal. Mutual fund and ETF shareholders are necessarily subject to the risks stemming from the individual issuers of the fund's underlying portfolio securities. Such shareholders are also liable for taxes on any fund-level capital gains, as mutual funds and ETFs are required by law to distribute capital gains in the event they sell securities for a profit that cannot be offset by a corresponding loss.

Shares of mutual funds are generally distributed and redeemed on an ongoing basis by the fund itself or a broker acting on its behalf. The trading price at which a share is transacted is equal to a fund's stated daily per share net asset value ("NAV"), plus any shareholders fees (e.g., sales loads, purchase fees, redemption fees). The per share NAV of a mutual fund is calculated at the end of each business day, although the actual NAV fluctuates with intraday changes to the market value of the fund's holdings. The trading prices of a mutual fund's shares may differ significantly from the NAV during periods of market volatility, which may, among other factors, lead to the mutual fund's shares trading at a premium or discount to NAV.

Shares of ETFs are listed on securities exchanges and transacted at negotiated prices in the secondary market. Generally, ETF shares trade at or near their most recent NAV, which is generally calculated at least once daily for indexed-based ETFs and more frequently for actively managed ETFs. However, certain inefficiencies may cause the shares to trade at a premium or discount to their pro rata NAV.

There is also no guarantee that an active secondary market for such shares will develop or continue to exist. Generally, an ETF only redeems shares when aggregated as creation units (usually 50,000 shares or more). Therefore, if a liquid secondary market ceases to exist for shares of a particular ETF, a shareholder may have no way to dispose of such shares.

### *Market Risks*

The profitability of a portion of NewFocus' recommendations may depend to a great extent upon correctly assessing the future course of price movements of stocks and bonds. There can be no assurance that NewFocus will be able to predict those price movements accurately.

### *Management Through Similarly Managed Accounts*

NewFocus manages portfolios by allocating portfolio assets among various securities on a discretionary basis using one or more of its proprietary investment strategies (collectively referred to as "*investment strategy*"). In so doing, NewFocus buys, sells, exchanges and/or transfers securities based upon the *investment strategy*.

NewFocus' management using the *investment strategy* complies with the requirements of Rule 3a-4 of the Investment Company Act of 1940, as amended. Rule 3a-4 provides similarly managed accounts, such as the *investment strategy*, with a safe harbor from the definition of an investment company.

Securities in the *investment strategy* are usually exchanged and/or transferred without regard to a client's individual tax ramifications. Certain investment opportunities that become available to NewFocus' clients may be limited. As further discussed in response to Item 12B (below), NewFocus allocates investment opportunities among its clients on a fair and equitable basis.

### *General Risk of Loss*

Investing in securities involves the risk of loss. Clients should be prepared to bear such loss.

## **Item 9. Disciplinary Information**

NewFocus is required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of management. NewFocus does not have any required disclosures to this Item.

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

NewFocus is required to disclose any relationship or arrangement that is material to its advisory business or to its clients with certain related persons. NewFocus has described such relationships and arrangements below.

## Receipt of Insurance Commission

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One of NewFocus' *Supervised Persons*, in his individual capacity, is also licensed insurance agent with various insurance companies, and in such capacity, may recommend, on a fully-disclosed commission basis, the purchase of certain insurance products. While NewFocus does not sell such insurance products to its investment advisory clients, NewFocus does permit its *Supervised Persons*, in their individual capacities as licensed insurance agents, to sell insurance products to its investment advisory clients. A conflict of interest exists to the extent that NewFocus recommends the purchase of insurance products where NewFocus' *Supervised Person* receives insurance commissions or other additional compensation.

## TD Ameritrade Institutional Advisor Panel

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NewFocus serves on the TD Ameritrade Institutional Advisor Panel (the "Panel"). The Panel consists of approximately thirty (30) independent investment advisors that advise TD AMERITRADE Institutional, a division of TD AMERITRADE, Inc. ("*TD Ameritrade*") on issues relevant to the independent advisor community. As discussed below in Item 12, NewFocus generally recommends that clients utilize the brokerage and clearing services of *TD Ameritrade* for investment management accounts. The Panel meets in person on average three to four times per year and conducts periodic conference calls on an as needed basis. Investment advisors are appointed to serve on the Panel for three-year terms by *TD Ameritrade* senior management. At times, the Panel members are provided confidential information about *TD Ameritrade* initiatives. The Panel members are required to sign confidentiality agreements. *TD Ameritrade* does not compensate the Panel members; however, *TD Ameritrade* pays or reimburses NewFocus for the travel, lodging and meal expenses NewFocus incurs in attending Panel meetings. The benefits received by NewFocus or its personnel by serving on the Panel do not depend on the amount of brokerage transactions directed to *TD Ameritrade*. Clients should be aware, however, that the receipt of economic benefits by NewFocus or its related persons in and of itself creates a potential conflict of interest and may indirectly influence NewFocus' recommendation of *TD Ameritrade* for custody and brokerage services.

## Item 11. Code of Ethics

NewFocus and persons associated with NewFocus ("Associated Persons") are permitted to buy or sell securities that it also recommends to clients consistent with NewFocus' policies and procedures.

NewFocus has adopted a code of ethics that sets forth the standards of conduct expected of its associated persons and requires compliance with applicable securities laws ("*Code of Ethics*"). In accordance with Section 204A of the Investment Advisers Act of 1940 (the "Advisers Act"), its *Code of Ethics* contains written policies reasonably designed to prevent the unlawful use of material non-public information by NewFocus or any of its associated persons. The *Code of Ethics* also requires that certain of NewFocus' personnel (called "*Access Persons*") report their personal securities holdings and

transactions and obtain pre-approval of certain investments such as initial public offerings and limited offerings.

Unless specifically permitted in NewFocus' *Code of Ethics*, none of NewFocus' *Access Persons* may effect for themselves or for their immediate family (i.e., spouse, minor children, and adults living in the same household as the *Access Person*) any transactions in a security which is being actively purchased or sold, or is being considered for purchase or sale, on behalf of any of NewFocus' clients.

When NewFocus is purchasing or considering for purchase any security on behalf of a client, no *Access Person* may effect a transaction in that security prior to the completion of the purchase or until a decision has been made not to purchase such security. Similarly, when NewFocus is selling or considering the sale of any security on behalf of a client, no *Access Person* may effect a transaction in that security prior to the completion of the sale or until a decision has been made not to sell such security. These requirements are not applicable to: (i) direct obligations of the Government of the United States; (ii) money market instruments, bankers' acceptances, bank certificates of deposit, commercial paper, repurchase agreements and other high quality short-term debt instruments, including repurchase agreements; (iii) shares issued by mutual funds or money market funds; and (iv) shares issued by unit investment trusts that are invested exclusively in one or more mutual funds.

Clients and prospective clients may contact NewFocus to request a copy of its *Code of Ethics*.

### Item 12. Brokerage Practices

NewFocus generally recommends that clients utilize the brokerage and clearing services of TD AMERITRADE Institutional, a division of TD AMERITRADE, Inc. ("*TD Ameritrade*") for investment management accounts. NewFocus participates in the institutional customer program offered by TD Ameritrade Institutional. TD Ameritrade Institutional is a division of TD Ameritrade Inc., member FINRA/SIPC/NFA ("*TD Ameritrade*"), an unaffiliated SEC-registered broker-dealer and FINRA member. *TD Ameritrade* offers to independent investment advisors services which include custody of securities, trade execution, clearance and settlement of transactions. NewFocus receives some benefits from *TD Ameritrade* through its participation in the program.

Factors which NewFocus considers in recommending *TD Ameritrade* or any other broker-dealer to clients include their respective financial strength, reputation, execution, pricing, research and service. *TD Ameritrade* enables NewFocus to obtain many mutual funds without transaction charges and other securities at nominal transaction charges. The commissions and/or transaction fees charged by *TD Ameritrade* may be higher or lower than those charged by other *Financial Institutions*.

The commissions paid by NewFocus' clients comply with NewFocus' duty to obtain "best execution." Clients may pay commissions that are higher than another qualified *Financial Institution* might charge to effect the same transaction where NewFocus determines that the commissions are reasonable in relation

to the value of the brokerage and research services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a *Financial Institution's* services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. NewFocus seeks competitive rates but may not necessarily obtain the lowest possible commission rates for client transactions.

Transactions may be cleared through other *Financial Institutions* with whom NewFocus and the *Financial Institutions* have entered into agreements for prime brokerage clearing services. NewFocus periodically and systematically reviews its policies and procedures regarding its recommendation of *Financial Institutions* in light of its duty to obtain best execution.

The client may direct NewFocus in writing to use a particular *Financial Institution* to execute some or all transactions for the client. In that case, the client will negotiate terms and arrangements for the account with that *Financial Institution*, and NewFocus will not seek better execution services or prices from other *Financial Institutions* or be able to “batch” client transactions for execution through other *Financial Institutions* with orders for other accounts managed by NewFocus (as described below). As a result, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Subject to its duty of best execution, NewFocus may decline a client's request to direct brokerage if, in NewFocus' sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

Transactions for each client generally will be effected independently, unless NewFocus decides to purchase or sell the same securities for several clients at approximately the same time. NewFocus may (but is not obligated to) combine or “batch” such orders to obtain best execution, to negotiate more favorable commission rates, or to allocate equitably among NewFocus' clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will generally be averaged as to price and allocated among NewFocus' clients pro rata to the purchase and sale orders placed for each client on any given day. To the extent that NewFocus determines to aggregate client orders for the purchase or sale of securities, including securities in which NewFocus' *Supervised Persons* may invest, NewFocus generally does so in accordance with applicable rules promulgated under the Advisers Act and no-action guidance provided by the staff of the U.S. Securities and Exchange Commission. NewFocus does not receive any additional compensation or remuneration as a result of the aggregation. In the event that NewFocus determines that a prorated allocation is not appropriate under the particular circumstances, the allocation will be made based upon other relevant factors, which may include: (i) when only a small percentage of the order is executed, shares may be allocated to the account with the smallest order or the smallest position or to an account that is out of line with respect to security or sector weightings relative to other portfolios, with similar mandates; (ii) allocations may be given to one account when one account has limitations in its investment guidelines which prohibit it from purchasing other securities which are

expected to produce similar investment results and can be purchased by other accounts; (iii) if an account reaches an investment guideline limit and cannot participate in an allocation, shares may be reallocated to other accounts (this may be due to unforeseen changes in an account's assets after an order is placed); (iv) with respect to sale allocations, allocations may be given to accounts low in cash; (v) in cases when a pro rata allocation of a potential execution would result in a *de minimis* allocation in one or more accounts, NewFocus may exclude the account(s) from the allocation; the transactions may be executed on a pro rata basis among the remaining accounts; or (vi) in cases where a small proportion of an order is executed in all accounts, shares may be allocated to one or more accounts on a random basis.

Consistent with obtaining best execution, brokerage transactions may be directed to certain broker-dealers in return for investment research products and/or services which assist NewFocus in its investment decision-making process. Such research generally will be used to service all of NewFocus' clients, but brokerage commissions paid by one client may be used to pay for research that is not used in managing that client's portfolio. The receipt of investment research products and/or services as well as the allocation of the benefit of such investment research products and/or services poses a conflict of interest because NewFocus does not have to produce or pay for the products or services.

### **Receipt of Soft Dollars**

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In addition to the research services described above, NewFocus may be offered other non-monetary benefits by broker-dealers that it may engage to execute securities transactions on behalf of clients. These benefits may take the form of research and brokerage by third party service providers. The availability of these benefits influence NewFocus to select one broker rather than another based on NewFocus' interest rather than on client's interests in receiving most favorable execution. Nevertheless, NewFocus will assure that the fees and costs for services provided to clients by brokers offering these benefits are not materially greater than they would be if the services were performed by brokers not offering these services.

The use of brokerage commissions to obtain research products and/or other services and to pay for other non-research services creates a conflict of interest because clients pay for such products and services that are not exclusively for the benefit of clients and may be primarily or exclusively for the benefit of NewFocus.

The firm began using soft dollars in 2012 to pay for the cost of a Bloomberg research terminal.

### **Software and Support Provided by Financial Institutions**

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NewFocus may receive from *TD Ameritrade*, without cost to NewFocus, computer software and related systems support, which allow NewFocus to better monitor client accounts maintained at *TD Ameritrade*. NewFocus may receive the software and related support without cost because NewFocus renders investment management services to clients that maintain assets at *TD Ameritrade*. The software and

support is not provided in connection with securities transactions of clients (i.e. not “soft dollars”). The software and related systems support may benefit NewFocus, but not its clients directly. In fulfilling its duties to its clients, NewFocus endeavors at all times to put the interests of its clients first. Clients should be aware, however, that NewFocus’ receipt of economic benefits from a broker-dealer creates a conflict of interest since these benefits may influence NewFocus’ choice of broker-dealer over another broker-dealer that does not furnish similar software, systems support, or services.

There is no direct link between NewFocus’ participation in the program and the investment advice it gives to its clients, although NewFocus receives economic benefits through its participation in the program that are typically not available to TD Ameritrade retail investors. Additionally, NewFocus may receive the following benefits from *TD Ameritrade* through its registered investment adviser division: receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk that exclusively services its Registered Investment Adviser participants; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; access to an electronic communication network for client order entry and account information; and discounts on compliance, marketing, research, technology, and practice management products or services provided to NewFocus by third party vendors.

These products or services may assist NewFocus in managing and administering client accounts, including accounts not maintained at *TD Ameritrade*. Other services made available by *TD Ameritrade* are intended to help NewFocus manage and further develop its business enterprise. The benefits received by NewFocus’ participation in the program do not depend on the amount of brokerage transactions directed to *TD Ameritrade*. Clients should be aware, however, that the receipt of economic benefits by NewFocus or its related persons in and of itself creates a potential conflict of interest and may indirectly influence NewFocus’ recommendation of *TD Ameritrade* for custody and brokerage services.

### **TD Ameritrade Institutional Advisor Panel**

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NewFocus serves on the TD Ameritrade Institutional Advisor Panel (the “Panel”). The Panel consists of approximately thirty (30) independent investment advisors that advise *TD Ameritrade* on issues relevant to the independent advisor community. The Panel meets in person on average three to four times per year and conducts periodic conference calls on an as needed basis. Investment advisors are appointed to serve on the Panel for three-year terms by *TD Ameritrade* senior management. At times, the Panel members are provided confidential information about *TD Ameritrade* initiatives. The Panel members are required to sign confidentiality agreements. *TD Ameritrade* does not compensate the Panel members; however, *TD Ameritrade* pays or reimburses NewFocus for the travel, lodging and meal expenses NewFocus incurs in attending Panel meetings. The benefits received by NewFocus or its personnel by serving on the Panel do not depend on the amount of brokerage transactions directed to *TD Ameritrade*. Clients should be aware, however, that the receipt of economic benefits by NewFocus or its related persons in and of itself creates a potential conflict of interest and may indirectly influence NewFocus’ recommendation of *TD Ameritrade* for custody and brokerage services.



### Item 13. Review of Accounts

For those clients to whom NewFocus provides investment management services, NewFocus monitors those portfolios as part of an ongoing process while regular account reviews are conducted on at least a quarterly basis. For those clients to whom NewFocus provides financial planning and/or consulting services, reviews are conducted on an “as needed” basis. Such reviews are conducted by one of NewFocus’ investment adviser representatives. All investment advisory clients are encouraged to discuss their needs, goals, and objectives with NewFocus and to keep NewFocus informed of any changes thereto. NewFocus contacts ongoing investment advisory clients at least annually to review its previous services and/or recommendations and to discuss the impact resulting from any changes in the client’s financial situation and/or investment objectives.

Unless otherwise agreed upon, clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer or custodian for the client accounts. Those clients to whom NewFocus provides investment advisory services will also receive a report from NewFocus that may include such relevant account and/or market-related information such as an inventory of account holdings and account performance on a quarterly basis. Clients should compare the account statements they receive from their custodian with those they receive from NewFocus.

Those clients to whom NewFocus provides financial planning and/or consulting services will receive reports from NewFocus summarizing its analysis and conclusions as requested by the client or otherwise agreed to in writing by NewFocus.

### Item 14. Client Referrals and Other Compensation

NewFocus is required to disclose any relationship or arrangement where it receives an economic benefit from a third party (non-client) for providing advisory services. In addition, NewFocus is required to disclose any direct or indirect compensation that it provides for client referrals.

NewFocus may receive economic benefits from non-clients for providing advice or other advisory services to clients. This type of relationship poses a conflict of interest and any such relationship is disclosed in response to Item 12, above.

### Item 15. Custody

NewFocus’ *Agreement* and/or the separate agreement with any *Financial Institution* may authorize NewFocus through such *Financial Institution* to debit the client’s account for the amount of NewFocus’ fee and to directly remit that management fee to NewFocus in accordance with applicable custody rules.

The *Financial Institutions* recommended by NewFocus have agreed to send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of management



fees paid directly to NewFocus. In addition, as discussed in Item 13, NewFocus also sends periodic supplemental reports to clients. Clients should carefully review the statements sent directly by the *Financial Institutions* and compare them to those received from NewFocus.

### Item 16. Investment Discretion

NewFocus is given the authority to exercise discretion on behalf of clients. NewFocus is considered to exercise investment discretion over a client's account if it can effect transactions for the client without first having to seek the client's consent. NewFocus is given this authority through a power-of-attorney included in the agreement between NewFocus and the client. Clients may request a limitation on this authority (such as certain securities not to be bought or sold). NewFocus takes discretion over the following activities:

- The securities to be purchased or sold;
- The amount of securities to be purchased or sold; and
- When transactions are made.

### Item 17. Voting Client Securities

NewFocus is required to disclose if it accepts authority to vote client securities. NewFocus does not vote client securities on behalf of its clients. Clients receive proxies directly from the *Financial Institutions*.

### Item 18. Financial Information

NewFocus does not require or solicit the prepayment of more than \$1,200 in fees six months or more in advance. In addition, NewFocus is required to disclose any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients. NewFocus has no disclosures pursuant to this Item.

## **NewFocus Financial Group, LLC**

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Prepared by:

