

# **Forum Financial Management, LP**

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## **FORM ADV PART 2A BROCHURE**

This brochure provides information about the qualifications and business practices of Forum Financial Management, LP. If you have any questions about the contents of this brochure, contact us at 630-873-8515. 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 Forum Financial Management, LP is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Forum Financial Management, LP is a registered investment adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

## Item 2 Summary of Material Changes

Form ADV Part 2 requires registered investment advisers to amend their brochure when information becomes materially inaccurate. If there are any material changes to an adviser's disclosure brochure, the adviser is required to notify you and provide you with a description of the material changes.

Since our last annual updating amendment dated March 25, 2013 there are no material changes to report.

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## Item 4 Advisory Business

Forum Financial Management, LP (Forum) is an SEC Registered Investment Adviser with its principal place of business located in Lombard, Illinois. Forum began conducting business in May 2002. No one individual or entity controls more than 25% of the company.

Forum offers the following advisory services to our clients:

### Portfolio Management

Forum manages investment advisory accounts using model asset allocation portfolios. Each model portfolio is designed to meet a particular investment goal. Through personal discussions and completion of relevant suitability documentation, each client's goals and objectives are established. Based on this information, Forum will determine which model portfolio is suitable to the client's circumstances. In most cases, each client's objectives and Forum's recommended portfolio for each client is documented in an Investment Portfolio Statement (IPS). Forum may, if appropriate, suggest modifications to the model or an allocation among two or more of the models to more adequately address the client's individual needs. Once the appropriate portfolio(s) has been determined, the account is generally managed based on the portfolio's goal, rather than on each client's individual needs. Clients will retain individual ownership of all securities. Forum will manage advisory accounts on a discretionary or nondiscretionary basis. Account supervision is guided by the stated objectives of the client (i.e., Aggressive Growth, Growth, Growth and Income, Income and Growth, and Income).

Depending on the investment objectives of the client and the terms of the engagement, Forum will create a model portfolio as described below under Investment Strategies. The types of securities employed to fund the various asset classes of the portfolio may include institutional style-specific asset class mutual funds, U.S. government securities and municipal bonds. Institutional style-specific asset class mutual funds are widely, but not exclusively, used to effectively mirror the asset classes in the model portfolio and minimize client costs. Forum will primarily use Dimensional Fund Advisors, Inc.'s (DFA) institutional mutual funds to implement a client's portfolio. DFA is an institutional investment advisory firm that as of 12/31/12 manages over \$262 billion of assets. DFA's mutual funds are generally only available to advisors approved by DFA. DFA's approach is passive and based on the efficient market hypothesis. Unlike an index fund, they generally do not track a specific index and thus avoid the costs of having to buy and sell securities at specific points in time. They are engineered to capture specific risk/return characteristics with reliability and transparency. These characteristics include the small-cap and value effect of the Fama-French Three Factor Model. DFA provides financial advisors with a series of stock and bond funds that serve as building blocks, allowing advisors to construct a diversified portfolio that balances risk and reward. Their advantages include low internal cost, tax efficient and style consistency. Forum will primarily use DFA funds with the following exceptions:

1. When Forum believes individual U.S. treasuries or municipal bonds are a better alternative;
2. When there is a benefit to holding high yield bonds; or
3. When Forum determines that a better alternative is available.
4. Forum may also, from time to time, enter into additional written agreements with third party registered investment advisers as it deems appropriate and in the best interests of clients.

In addition, Forum may employ a laddered bond strategy for certain clients, or for a portion of the portfolio of certain clients, in an attempt to reduce portfolio volatility, provide income, and/or extend the maturities of the bond portion of the portfolio, with consideration for the appropriateness of the overall fixed income holdings. Laddering bonds means purchasing individual bonds, typically treasuries or insured municipal bonds, for equal dollars with maturities varying from one to five years.

Each account is reviewed and rebalanced as described below. If Forum believes that a particular investment or sub-adviser is performing inadequately, or if Forum believes that a different investment or sub-adviser is in the best interest of the client, then Forum will recommend a different investment or sub-

adviser as appropriate and will reinvest the clients' assets accordingly.

#### Qualified Plan Services with Managed Portfolios

Forum also offers Qualified Plan Services which consists of several advisory services that can be provided separately or in combination depending on the client's needs. While the primary clients for these services will be pension, profit sharing and 401(k) plans, Forum may also provide these services, where appropriate, to individuals and trusts, estates and charitable organizations. Forum's Qualified Plan Services are comprised of four distinct services.

1. Selection of Investment Vehicles: Forum will work closely with the client, the plan administrator and/ or other third parties, to determine if Forum's investment approach is consistent with the client's IPS. Forum primarily uses DFA institutional mutual funds as the investment vehicles using model portfolios that are managed by Forum.

2. Monitoring of Investment Performance: Client investments will be monitored continuously based on the procedures and timing intervals delineated by the client and the IPS. Although Forum will not be involved in any way in the purchase or sale of these investments, Forum will supervise the client's portfolio or offerings, as appropriate.

3. Employee Communications: For pension, profit sharing and 401(k) plan clients where there are individual accounts with participants exercising control over assets in their own account ("selfdirected plans"), Forum may provide educational support and investment workshops designed for the qualified plan participants. The nature of the topics to be covered will be determined by Forum and the client under the guidelines established in the Employee Retirement Income and Securities Act (ERISA) Section 404(c). The educational support and investment workshops will not provide Plan participants with individualized, tailored investment advice or individualized, tailored asset allocation recommendations.

4. Managed Portfolios: As part of its Qualified Plan Service, limited to participant directed plans, Forum also offers the sponsors of tax qualified retirement plans managed model portfolios which the sponsor can then offer to its plan participants. Qualified plan sponsors engaging Forum to provide this service will have daily access to the performance of their plan participant accounts via a website serviced by the plan's record-keeper.

#### Financial Planning Services

Forum also provides investment advice on a more limited basis through consultations with the client. This may include advice on an isolated area(s) of concern such specific topic. Forum provides specific consultation and administrative services regarding investment and financial concerns of the client. Additionally, Forum may provide advice on non-securities matters. Generally, this is in connection with the rendering of estate planning, insurance, and/or annuity advice.

#### Seminars

From time to time, Forum offers seminars on estate and retirement planning as well as other investment-related topics. The investment information provided under this service does not purport to meet the objectives or needs of any individual client or portfolio. Following the presentation, participants are encouraged to meet with a Forum advisor to discuss the current securities and insurance holdings of the participant. Analysis of the participants' needs and goals may indicate the desirability of utilizing one or more of Forum's programs described in the previous sections.

#### Wrap Fee Programs

Forum does not sponsor a wrap fee program or serve as a manager to a wrap fee program.

#### Amount of Managed Assets

As of 11/12/2014, Forum actively manages and services approximately \$1,844,367,209 in client assets on a discretionary basis, and approximately \$6,529,604 in client assets on a non-discretionary basis. Additionally,

Forum provides investment advice on approximately \$76,907,860 in 401(k) plan assets.

## Item 5 Fees and Compensation

**Portfolio Management Fees** The annual fee for Portfolio Management Services will be charged as a percentage of assets under management, according to the following tiered schedule:

<b>Portfolio Size</b>	<b>Annual Fee * **</b>
\$ 250,000 - 499,999	1.40%
\$ 500,000 - 999,999	1.20%
\$ 1,000,000 - 1,999,999	1.00%
\$ 2,000,000 - 4,999,999	.90%
\$ 5,000,000 - 9,999,999	85%
\$ 10,000,000 and over	Quoted on an individual basis

\*Portfolios under \$250,000 may be accepted at the discretion of Forum. The maximum fee for accounts under \$250,000 will be 1.60% annually

\*\*Forum may discount the management fee charged to any client.

**Qualified Plan Services** Managed Portfolios: Plan sponsors engaging Forum to provide Qualified Plan Services with the addition of the Managed Portfolios Option are charged an annual advisory fee based on a percentage of the total plan value for each calendar quarter, or part thereof. The advisory fee is based on the following tiered schedule:

<b>Total Plan Assets</b>	<b>Annual Fee * **</b>
\$ 250,000 - 499,999	1.40%
\$ 500,000 - 999,999	1.20%
\$ 1,000,000 - 1,999,999	1.00%
\$ 2,000,000 - 4,999,999	.90%
\$ 5,000,000 - 9,999,999	85%
\$ 10,000,000 and over	Quoted on an individual basis

\*Portfolios under \$250,000 may be accepted at the discretion of Forum. The maximum fee for accounts under \$250,000 will be 1.60% annually

\*\*Forum may discount the management fee charged to any client.

### **General Information - Portfolio Management / Qualified Plan Services**

Collection of Fees: Clients will be billed in arrears at the beginning of each calendar quarter based upon the value (market value or fair market value in the absence of market value, plus any credit balance or minus any debit balance), of the account at the end of the quarter. Our firm directly debits advisory fees from client accounts only after obtaining client authorization via the client agreement and applicable custodial account form. Termination of the Advisory Relationship: A client agreement may be canceled at any time, by either party, for any reason upon receipt of 30 days written notice. The client has the right to terminate an agreement without penalty within five business days after entering into the agreement. Should a client terminate his/her agreement mid-quarter, the client will be billed pro rata for the number of days during the quarter that services were provided.

## **General Information - Qualified Plan Services**

As disclosed above, we offer various levels of advisory and consulting services to employee benefit plans ("Plan") and to the participants of such plans ("Participants"). The services are designed to assist plan sponsors in meeting their management and fiduciary obligations to Participants under the Employee Retirement Income Securities Act ("ERISA"). Pursuant to adopted regulations of the U.S. Department of Labor, we are required to provide the Plan's responsible plan fiduciary (the person who has the authority to engage us as an investment adviser to the Plan) with a written statement of the services we provide to the Plan, the compensation we receive for providing those services, and our status (which is described below).

The services we provide to your Plan and our compensation for these services are described above and also in the service agreement. We do not reasonably expect to receive any other compensation, direct or indirect, for the services we provide to the Plan or Participants, unless the plan sponsor directs us to deduct our fee from the plan or directs the plan record-keeper to issue payment for our fee out of the plan. If we receive any other compensation for such services, we will (i) offset the compensation against our stated fees, and (ii) we will promptly disclose the amount of such compensation, the services rendered for such compensation and the payer of such compensation to you. Forum is registered as an investment adviser under the Investment Advisers Act of 1940, and represents that it is not subject to any disqualification as set forth in Section 411 of ERISA. In performing the Fiduciary Services, Forum is acting as a fiduciary of the Plan as defined in Section 3(21) under the Employee Retirement Income Security Act ("ERISA").

### **Financial Planning Services**

Financial Planning is not a standalone service of Forum and is typically offered only in connection with a managed portfolio. As such, there is no additional fee charged for Financial Planning Services.

### **Seminars**

No advisory fee is charged for participation or sponsorship of a Forum seminar.

### **Additional Fees and Expenses**

In addition to our advisory fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker dealers, including, but not limited to, any transaction charges imposed by a broker dealer with which an independent investment manager effects transactions for the client's account(s). Please refer to the Brokerage Practices section of this Firm Brochure for additional information.

**Mutual Fund Fees:** All fees paid to Forum for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds, and/or exchange-traded funds (ETF), to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. A client could invest in a mutual fund directly, without our services. In that case, the client would not receive the services provided by our firm which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

**Advisory Fees in General:** Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers for similar or lower fees.

**Limited Prepayment of Fees:** Under no circumstances do we require or solicit payment of fees in excess of \$1,200 more than six months in advance of services rendered.

### **Compensation for the Sale of Securities or Other Investment Products**

Compensation for the Sale of Securities or Other Investment Products: Associated persons of Forum may

be separately registered as representatives of Purshe Kaplan Sterling Investments (PKS), a FINRA-registered broker dealer and/or may also be licensed as independent insurance agents or brokers for one or more insurance companies. In their capacity as a registered representative and/or licensed insurance agent, these persons may receive commission-based compensation in connection with the purchase and sale of securities and/or insurance products, including 12b-1 fees for the sale of investment company products. These practices present conflicts of interest because persons providing investment advice on behalf of our firm who are registered representatives and/or licensed insurance agents may have an incentive to recommend securities and/or insurance products to you for the purpose of generating commissions. You are under no obligation, contractually or otherwise, to purchase securities and/or insurance products through any person affiliated with our firm.

Associated persons of Forum may also be Certified Public Accountants or Enrolled Agents providing tax preparation and accounting services and advice through affiliated and unaffiliated accounting firms. In general, as appropriate, Forum may recommend the use of PKS, the accounting firms and these individuals to clients for implementation of Financial Planning Services recommendations, provided that this recommendation is consistent with Forum's fiduciary duty to the client.

## **Item 6 Performance-Based Fees and Side-By-Side Management**

Forum does not accept performance-based fees or participate in side-by-side management. Performance-based fees are fees that are based on a share of capital gains or capital appreciation of a client's account. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. Forum's fees are calculated as described in the Fees and Compensation section above, and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds in clients' advisory account(s).

## **Item 7 Types of Clients**

Forum offers a combination of advisory services, where appropriate, to individuals, banks or thrift institutions, other Registered Investment Advisers, pension, profit sharing and 401(k) plans, trusts, estates or charitable organizations, and corporations or other business entities.

Forum also offers backroom services to third party Registered Investment Advisors (RIA's). These services include but are not limited to, trading, re-balancing, technology implementation and preparation of quarterly reports. Additionally, Forum may serve as a sub-advisor and offer its model portfolios and investment advice to other Registered Investment Advisers for use by their clients. Forum will receive compensation for this advice.

In general, we require a minimum of \$250,000 to open and maintain an advisory account. At our discretion, we may waive this minimum account size. For example, we may waive the minimum if you appear to have significant potential for increasing your assets under our management. We may also combine account values for you and your minor children, joint accounts with your spouse, and other types of related accounts to meet the stated minimum.

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

### **Methods of Analysis**

We use the following methods of analysis in formulating our investment advice and/or managing client assets:

Forum analyzes mutual funds by their historical performance, standard deviation, correlation with other mutual funds and the funds' mandate for exposure to the market as explained in the prospectus, among



other factors. Forum primarily recommends mutual funds offered by DFA for use in its managed portfolios. DFA mutual funds follow a passive asset class investment philosophy with low turnover of holdings.

Forum seeks to design portfolios that have a broad exposure to the total stock market both domestically and internationally. Statistical tests are performed on the portfolios and combinations of asset classes to determine a mix that will provide the client with an appropriate risk-return profile. Testing may include, but is not limited to, an analysis of the historical returns of the different asset class combination scenarios to arrive at an appropriate risk-return profile; analysis of portfolio exposure to different segments of the market to ensure broad market exposure; and analysis of risk factor loads of possible combinations of asset classes to determine appropriate portfolio tilt to one asset class or another.

#### Sources of Information

Forum relies on DFA, an SEC Registered Investment Advisor, for a significant part of their investment research as well as research papers, professional publications, magazines and professional seminars.

#### Investment Strategies

Forum's investment advice is based on long-term investment strategies incorporating the principles of Modern Portfolio Theory. Forum's investment approach is firmly rooted in the belief that markets are efficient and that investors' returns are determined principally by asset allocation decisions, not by market timing or stock picking. Forum focuses on developing diversified portfolios, principally through the use of DFA's passively managed, asset class mutual funds that are available only to institutional investors and clients of a network of selected investment advisers.

The following is a more detailed explanation:

1. Modern Portfolio Theory states that by diversification among investments that have a low or negative correlation the risk of a portfolio may be reduced without necessarily sacrificing the expected return. Simply put, the idea is to combine investments that do not move in the same direction so that when some investments lose value others may increase in value. This should lower the volatility, or risk, of a portfolio.
2. Capital Pricing Model identifies two risks, Market Risk and Non-Market Risk. Market Risk is one risk that is rewarded - it is the inherent risk of investing in the market and cannot be diversified away. Non-Market Risk is the risk in a specific company, sector or industry that can be reduced through a well diversified portfolio.
3. Efficient Markets Hypothesis states that at all times, markets incorporate all information available and stocks are always fairly priced. As such, stock picking is futile. Forum uses funds that are "Passive" and does not rely on fund managers who pick stocks.
4. The Three Factor Model based on work performed in the early 1990's American economists, Eugene F. Fama and Kenneth R. French, published research that identifies three factors (The Three Factor Model) that explain 96% of the return of an asset class. The three factors are:
  - Equity market - Stocks tend to have higher expected returns than fixed-income securities.
  - Company size - Small company stocks tend to have, on average, a higher expected return than larger company stocks (measured by market capitalization).
  - Company price - Lower-priced, out-of-favor value stocks have a higher expected return than higher-priced growth stocks (measured by the ratio of a company's book value to its market equity).

Forum offers clients several models based on varying stock and bond allocations. Forum manages portfolios according to five broad mandates: Income, Income & Growth, Growth & Income, Growth, and Aggressive Growth. The five broad mandates are defined as follows:

Income (0-30% equity, 70-100% fixed income)

The portfolio is typically heavily weighted towards mutual funds that have bonds as the primary underlying

investment. It is generally designed for investors whose concern is protecting their assets, or who may simply desire a decreased level of market volatility.

**Income and Growth (40% equities, 60% fixed income)** The portfolio seeks current income with a secondary objective of growth of capital. This portfolio is suitable for investors who want the potential for some growth of assets, but are more concerned with protecting their principal investment.

**Growth and Income (50% equities, 50% fixed income)** The portfolio seeks growth of capital and current income as near-equal objectives. The portfolio's goal is to balance risk and reward.

**Growth (60-70% equity, 40-30% fixed income)**

The portfolio seeks growth of principal. This portfolio is suitable for investors who are willing to accept risk to have the potential for higher returns over time, and generally have 6-10 or more years until they reach their goal, for example, when they begin withdrawing their savings in retirement.

**Aggressive Growth (80-100% equity, 0-20% fixed income)** The portfolio's goal is to produce growth of principal and as such will have higher, volatility. This portfolio is for investors who are willing to accept risk to have the potential for higher returns over time, and have at least 10 years until they begin withdrawing their retirement savings.

#### Customized Portfolios

Forum may vary from the model portfolios in certain situations.

#### Client Selected Portfolios

Clients may retain Forum to manage their portfolio in accordance with a model selected by the client that is different to the model portfolio recommended by Forum. The client will direct Forum to invest their accounts according to the client's selected target allocation whether directly or through a sub-adviser. Often, clients have multiple accounts managed as one portfolio. Any purchases or sales of securities made in the accounts will be made in an effort to implement the portfolio specified by the client.

Plan sponsors engaging Forum to provide Qualified Plan Services with the addition of the Managed Portfolios Option will provide plan participants with access to model portfolios managed by Forum. Under these circumstances, any purchases or sales of securities made in the portfolios will be made in an effort to implement the portfolio specified by the participant.

#### Changes to Model Portfolios

Forum, through its Investment Committee, continuously reviews the asset classes included in the model portfolios it recommends. From time to time, the Investment Committee may determine that a new asset class should be added to or removed from the model portfolios the firm recommends. On such occasions Forum may, at its discretion, determine that such asset classes should also be introduced into current client accounts. Addition of any asset class will not change the target equity/fixed income proportion of the portfolios.

#### Investments Held Away

Forum has from time to time advised clients with respect to investment accounts not directly supervised and managed at Forum. The accounts include, but are not limited to, 401(k), 403(b), and 529 accounts. The fees for such services will be deducted from the accounts managed by Forum. This advice will include asset allocation and fund selection. The fee for assets held away is the same fee for assets under management, which will be evidenced in the advisory agreement. Funds selected will be primarily chosen on their asset class description and fees in a manner consistent with Forum's Investment Philosophy.

#### Risk of Loss

Investing in securities involves risk of loss that you should be prepared to bear. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify

market tops or bottoms, or insulate clients from losses due to market corrections or declines. We cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is in no way an indication of future performance.

## **Item 9 Disciplinary Information**

We are required to disclose any legal or disciplinary events that are material to a client's, or a prospective client's, evaluation of our advisory business or the integrity of our management. Our firm and our management personnel have no reportable disciplinary events to disclose.

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

### **Other Business Activities**

Certain members and other employees of Forum may be separately licensed as independent insurance agents or brokers for one or more insurance companies.

These individuals, in their separate capacities as insurance agents, will be able to purchase insurance and insurance-related investment products for clients, for which they will receive separate, yet customary compensation. Clients are not under any obligation to engage these individuals when considering implementation of recommendations. The implementation of any or all recommendations is solely at the discretion of the client.

Certain members and other employees of Forum may also be Certified Public Accountants (CPAs) or Enrolled Agents providing tax preparation services and accounting services or advice, as appropriate, through Forum Tax & Accounting Services, LLC, Forum CPA Group, LLC, and Harris Weindruch & Co., Ltd., each an affiliate of Forum through common ownership and control. Forum members, John J. Adam and Mary Pat Wesche are members of Forum Tax & Accounting Services, LLC. In addition, Mary Pat Wesche is a member of Forum CPA Group, LLC. Member Arvin T. Weindruch is President of Harris Weindruch & Co., Ltd.

Member, Brian T. Savage, is a CPA in his separate capacity and provides accounting services through Brian T. Savage, PC, a firm wholly-owned by Mr. Savage. Member. Forum may recommend this individual and Accounting Firm to clients in need of tax advice or accounting services.

Likewise, the Accounting Firms may recommend Forum to accounting clients in need of advisory services. Accounting services provided by the Accounting Firms are separate and distinct from the advisory services of Forum, and are provided for separate and typical compensation. There are no referral fee arrangements between Forum and Accounting Firms for these recommendations. No Forum client is obligated to use Accounting Firms for any accounting services. The Accounting Firms' services do not include the authority to sign checks or otherwise disburse funds on any Forum advisory client's behalf.

Certain members of Forum have entered into an agreement with either Howard Kite (Investment Adviser Representative of Forum), James Lopera (Investment Adviser Representative of Forum) or Michelle Weindruch in conjunction with Broker Dealer, Purshe Kaplan Sterling Investments (PKS) to sell their former Registered Representative book of business to one of the corresponding new Registered Representatives listed above. Purshe Kaplan Sterling Investments, Member FINRA/SIPC. Headquartered at 18 Corporate Woods Blvd., Albany, NY 12211.

These members will be receiving a percentage of commissions earned as part of the sale price on the previous book of business for a period of five years, ending October 31, 2016. The payments to the members are directly paid by PKS. Clients are not under any obligation to add to these investments, however, the member will receive a percentage of commission earned on any new or additional investment during the period stated above.

Likewise, members may recommend additional investments to these accounts for which the purchase is solely at the discretion of the clients. These commissions are separate and distinct from Forum's advisory fee. Clients are not obligated to use these individuals to implement any recommended transactions.

While these individuals endeavor at all times to put the interest of the client's first as part of Forum's fiduciary duty, clients should be aware that the receipt of additional compensation itself creates a conflict of interest, and may affect the judgment of these individuals when making recommendations. These individuals, associated with the Accounting Firms, may spend as much as 50% of their time with all of these related activities. We periodically monitor these outside employment activities to verify that any conflicts of interest continue to be properly addressed by our firm.

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

Forum strives to comply with applicable laws and regulations governing our practices. Therefore, our Code of Ethics includes guidelines for professional standards of conduct for persons associated with our firm. Our goal is to protect your interests at all times and to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing with you. All persons associated with our firm are expected to adhere strictly to these guidelines. Persons associated with our firm are required to report any violations of our Code of Ethics. Additionally, we maintain and enforce written policies reasonably designed to prevent the misuse or dissemination of material, non-public information about you or your account holdings by persons associated with our firm.

A copy of Forum's Code of Ethics is available to Forum's advisory clients or prospective clients upon request to the Chief Compliance Officer, Brian T. Savage at [bsavage@forumfin.com](mailto:bsavage@forumfin.com) or 630.873.8515.

## **Item 12 Brokerage Practices**

We may recommend that you direct our firm to execute transactions through Charles Schwab & Company, Inc. and/or Fidelity Brokerage Services LLC, among others.

### **Forum Portfolio Management/Qualified Plan Services with Managed Portfolios Option**

For Portfolio Management Services Forum requests that clients primarily direct Forum to place trades through Charles Schwab & Company, Inc., a FINRA-member broker dealer, unaffiliated with Forum (Schwab). Forum has evaluated Schwab and believes that it will provide Forum's clients with a blend of execution services, commission costs and professionalism that will assist Forum in meeting its fiduciary obligations to clients. Clients should note that Forum participates in the Schwab Institutional Program (SI Program) offered to independent investment advisers by Schwab. As part of the SI Program, Forum receives certain benefits that it would not receive if it did not offer investment advice to clients.

Schwab provides Forum with access to its institutional trading and custody services, which are typically not available to Schwab retail investors. These services generally are available to independent investment advisers on an unsolicited basis, at no charge to them so long as a total of at least \$10 million of the adviser's clients' assets are maintained in accounts at Schwab. These services are not contingent upon our firm committing to Schwab any specific amount of business (assets in custody or trading commissions). Schwab's brokerage services include the execution of securities transactions, custody, research, and access to mutual funds and other investments that are otherwise generally available only to institutional investors or would require a significantly higher minimum initial investment.

For our client accounts maintained in its custody, Schwab generally does not charge separately for custody services but is compensated by account holders through commissions and other transaction-related or asset-based fees for securities trades that are executed through Schwab or that settle into Schwab

accounts.

Schwab also makes available to our firm other products and services that benefit Forum but may not directly benefit our clients' accounts. Many of these products and services may be used to service all or some substantial number of our client accounts.

Schwab's products and services that assist us in managing and administering our clients' accounts include software and other technology that provide access to client account data (such as trade confirmations and account statements), that facilitate trade execution and allocate aggregated trade orders for multiple client accounts, that facilitate payment of our fees from clients' accounts and assist with back-office functions, recordkeeping and client reporting.

Schwab also offers other services intended to help us manage and further develop our business enterprise. These services may include: compliance, legal and business consulting; publications and conferences on practice management and business succession; and access to employee benefits providers, human capital consultants and insurance providers.

Schwab may make available, arrange and/or pay third-party vendors for the types of services rendered to Forum. Schwab may discount or waive fees it would otherwise charge for some of these services or pay all or a part of the fees of a third-party providing these services to our firm. Schwab may also provide other benefits such as educational events or occasional business entertainment of our personnel. In evaluating whether to recommend or require that clients custody their assets at Schwab, we may take into account the availability of some of the foregoing products and services and other arrangements as part of the total mix of factors we consider and not solely on the nature, cost or quality of custody and brokerage services provided by Schwab, which may create a potential conflict of interest.

Forum reserves the right to decline acceptance of any client account for which the client directs the use of a broker dealer other than Schwab if Forum believes that this choice would hinder its fiduciary duty to the client and/or its ability to service the account. In directing the use of another other broker dealer, it should be understood that Forum will not have authority to negotiate commissions or to necessarily obtain volume discounts, and best execution may not be achieved.

In addition, a disparity in commission charges may exist between the commissions charged to the client and those charged to other clients (who may direct the use of another broker dealer).

For Qualified Plan Services, Forum does not have the discretionary authority to determine the broker dealer to be used or the commission rates to be paid. Clients (including plan sponsors engaging Forum to provide Qualified Plan Services with the addition of the Managed Portfolios Option) must direct Forum as to the broker dealer to be used.

Plan sponsors engaging Forum to provide Qualified Plan Services must select the directed broker in the best interest of plan participants. With respect to Qualified Plan Services, the Plan is not required to use Schwab. Forum does not choose broker dealers on behalf of a plan sponsor.

#### Research and Other Soft Dollar Benefits

Forum does not have any soft-dollar arrangements and does not receive any soft-dollar benefits.

#### Economic Benefits

Forum may have access to research products and services from account custodians and/or other Registered Investment Advisers. These products may include financial publications, information about particular companies and industries, research software, and other products or services that provide lawful and appropriate assistance to our firm in the performance of our investment decision-making

responsibilities. Such research products and services are generally provided to all Registered Investment Advisers that maintain a relationship with such third parties, and are not considered to be paid for with soft dollars.

#### Brokerage for Client Referrals

We do not receive client referrals from broker-dealers in exchange for cash or other compensation, such as brokerage services or research.

#### Directed Brokerage

We routinely request that you direct our firm to execute transactions through Charles Schwab & Company, Inc. As such, we may be unable to achieve the most favorable execution of your transactions and you may pay higher brokerage commissions than you might otherwise pay through another broker-dealer that offers the same types of services.

#### Block Trades

We do not combine multiple orders for shares of the same securities purchased for advisory accounts we manage (the practice of combining multiple orders for shares of the same securities is commonly referred to as "block trading"). Accordingly, you may pay different prices for the same securities transactions than other clients pay. Furthermore, we may not be able to buy and sell the same quantities of securities for you and you may pay higher commissions, fees, and/or transaction costs than other clients.

## Item 13 Review of Accounts

#### Portfolio Management Services

Account Reviews and Reports Reviews: The asset allocations of each model portfolio are continuously monitored by Forum for conformity with the client's IPS. Forum's Investment Committee members meet semi-annually to review the underlying investments in the portfolios while portfolios are reviewed by each investment advisor with their clients in the context of the client's stated investment objectives and guidelines.

Traders are instructed to trade accounts according to established internal protocols and to review accounts to determine whether they should be rebalanced; accounts are generally rebalanced when they are more than 10% out of balance (or a different percentage as may be designated by the Investment Committee and subject to trading costs and other factors) from clients selected asset allocation. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political or economic environment.

The members of the Investment Committee are:

- Norbert M. Mindel, JD, CPA, PFS, CFP
- Brian T. Savage, CPA, PFS, CFP
- Marcus K. Heinrich, CFP
- Jonathan M. Rogers, CFP
- Alan C. Hambourger, CPA, PFS, CFP

Reports: In addition to the monthly statements and confirmations of transactions that clients receive from Schwab (or another broker-dealer/custodian), Forum will provide quarterly reports summarizing account performance, balances and holdings. These reports may be generated by Forum or may be outsourced to a third party, supervised by Forum. Additionally, Forum may periodically deliver a newsletter providing market commentary and other pertinent information to clients.

#### Qualified Plan Services with Managed Portfolios Reviews:



Forum will review client Investment Policy Statements whenever the client indicates a change in circumstances regarding the needs of the plan. Forum will also review the investment options of the plan according to the agreed upon time intervals established in the IPS. Such reviews will generally occur at least semiannually. Reviews will be conducted by the account representative for each client.

Forum will continuously monitor the asset allocations of the model portfolios it recommends to plan sponsors for investment by their plan participants. Forum's Investment Committee meets semi-annually to review the underlying investments. Additionally, when unusual shifts in the financial markets occur, members of the Investment Committee will review the models to determine if changes are necessary.

Plan Sponsors who retain Forum to provide managed portfolio services to their defined contribution plans, receive regular performance information about their participants' accounts from their selected record keeper. As a result, Forum does not provide any regular performance reports to defined contribution plan sponsors. Additionally, the Plan Sponsor's selected record keeper may provide the ability to rebalance plan participants accounts automatically every quarter.

## **Item 14 Client Referrals and Other Compensation**

### **Client Referrals**

Our firm may pay referral fees to independent persons or firms (Solicitors) for introducing clients to us. Whenever we pay a referral fee, we require the Solicitor to provide the prospective client with a copy of this document (our Firm Brochure) and a separate disclosure statement that includes the following information:

- the Solicitor's name and relationship with our firm;
- the fact that the Solicitor is being paid a referral fee;
- the amount of the fee; and
- whether the fee paid to us by the client will be increased above our normal fees in order to compensate the Solicitor.

As a matter of firm practice, the advisory fees paid to us by clients referred by solicitors are not increased as a result of any referral. It is Forum's policy not to accept or allow our related persons to accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services we provide to our clients.

## **Item 15 Custody**

As paying agent for our firm, your independent custodian will directly debit your account(s) for the payment of our advisory fees. We do not have physical custody of any of your funds and/or securities. Your funds and securities will be held with a bank, broker-dealer, or other qualified custodian. You will receive account statements from the qualified custodian(s) holding your funds and securities at least quarterly. The account statements from your custodian(s) will indicate the amount of our advisory fees deducted from your account(s) each billing period. You should carefully review account statements for accuracy. If you have a question regarding your account statement, or if you did not receive a statement from your custodian, please contact us directly at the telephone number on the cover page of this brochure.

## **Item 16 Investment Discretion**

You may grant our firm discretion over the selection and amount of securities to be purchased or sold for your account(s) without obtaining your consent or approval prior to each transaction.

If you enter into non-discretionary arrangements with our firm, we will obtain your approval prior to the

execution of any transactions for your account(s). You have an unrestricted right to decline to implement any advice provided by our firm on a non-discretionary basis.

## **Item 17 Voting Client Securities**

As a matter of firm policy, we do not vote proxies on behalf of clients. Therefore, although our firm may provide investment advisory services relative to client investment assets, clients maintain exclusive responsibility for: (1) directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and (2) making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's investment assets. Clients are responsible for instructing each custodian of the assets, to forward to the client copies of all proxies and shareholder communications relating to the client's investment assets.

We do not offer any consulting assistance to clients regarding proxy issues.

### **Class Actions, Bankruptcies and Other Legal Proceedings**

Forum will neither advise nor act on behalf of the client in legal proceedings involving companies whose securities are held in the client's account(s), including, but not limited to, the filing of Proofs of Claim in class action settlements. If desired, clients may direct Forum to transmit copies of class action notices to the client or a third party. Upon such direction, Forum will make commercially reasonable efforts to forward such notices in a timely manner.

## **Item 18 Financial Information**

Our firm does not have any financial condition or impairment that would prevent us from meeting our contractual commitments to you. We do not take physical custody of client funds or securities, or serve as trustee or signatory for client accounts. Additionally, we do not require the prepayment of more than \$1,200 in fees six or more months in advance nor have we filed a bankruptcy petition at any time in the past ten years. Therefore, we are not required to include a financial statement with this brochure.

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

Our firm is not required to respond to this item because we are registered with the SEC.