



# THE MILESTONE GROUP

*Wealth Through Discipline®*

## Part 2A of Form ADV Brochure

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This brochure provides information about the qualifications and business practices of The Milestone Group, Inc. If you have any questions about the contents of this brochure, please contact us at 303-539-0100. 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 any other regulatory agency does not imply any level of skill or training.

Additional information about The Milestone Group also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Item 2: Material Changes**

This Brochure dated March 20, 2017, is an updated document, based on The Milestone Group's last Brochure dated September 30, 2016. The following material change is noted:

- Milestone's affiliate, Bank of Kansas City changed its name to Missouri Bank and Trust Company.
- Cavanal Hill Distributors, Inc. serves as the distributor for Cavanal Hill Funds effective January 1, 2017.

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## **Item 4: Advisory Business**

### ***Advisory Firm Description***

The Milestone Group, Inc. (“Milestone”), a registered investment advisor and a Colorado corporation, offers investment management services, investment supervisory services, and financial planning services. Milestone primarily provides customized investment management services to high-net-worth individuals and associated trusts, estates, pension and profit sharing plans and other legal entities. Milestone was founded in 1996 and in August 2012 was acquired by BOK Financial Corporation, a financial holding company based in Tulsa, Oklahoma.

### ***Advisory Firm Services***

We manage advisory accounts primarily on a discretionary basis. Account supervision is typically guided by your stated investment objectives (i.e., capital appreciation, growth, income or growth and income) as well as your tax considerations. Milestone will create an investment model portfolio aligned with your investment objectives, risk considerations and any unique circumstances you may require. On a case-by-case basis, Milestone will manage non-discretionary advisory accounts.

Milestone’s investment management and supervisory services generally include recommendations regarding cash, money market instruments, mutual funds, debt instruments, equity securities and public or private partnerships. Milestone considers your unique financial objectives and circumstances when making investment recommendations. Milestone offers financial planning on a fee-only basis. Milestone is not affiliated with any of the securities or products recommended to you or other Milestone clients. Milestone utilizes a financial planning process that may include all or part of the following, depending on your situation:

- 1) Discuss and review your financial profile, risk tolerance, goals and objectives.
- 2) Analysis of your current and projected future financial position relative to your risk tolerance and goals and objectives.
- 3) Interactive and proactive discussions with you regarding Milestone’s analysis described in step 2 above.
- 4) Discussions of alternatives for implementing recommendations based on your feedback.
- 5) Depending on the agreed upon service level, Milestone will periodically repeat steps 1 through 3 above.

### **Third Party Sub-Advisors**

On a limited basis, Milestone utilizes third-party investment advisory services (“Sub-Advisor”) to manage client portfolios. The Sub-Advisor has discretionary authority granted by you to manage and invest your assets and may impose an initial minimum dollar amount, which may be waived at the Sub-Advisor’s discretion. Clients utilizing this sub-advisory service will receive full disclosure including services provided and fee schedules, prior to placing assets with the Sub-Advisor, through the delivery of the Sub-Advisor’s brochure and privacy notice, or equivalent disclosure document.

### Specialized Investment Management and Research Services

Specialized investment and research services include unique investment decisions, investments not recommended or monitored by Milestone, or other proprietary investment research.

### Variable Life Investment Management

If agreed upon, Milestone will provide ongoing discretionary account management services for the cash values of variable life insurance products. However, Milestone does not provide advice on selecting or establishing life insurance policies.

### ***Wealth Advisory Services and Financial Planning***

In addition to investment advisory services, Milestone's Wealth Advisory Services Agreement offers advice in the following areas:

- Financial security and retirement planning
- Investment advice for illiquid investments
- Tax planning
- Estate planning
- Cash management
- Debt management
- Employee benefits
- Account aggregation service

These services are generally provided under a *Wealth Advisory Services Agreement* with Milestone for a fee. This agreement sets forth the terms and conditions of the engagement and describes the scope of the services to be provided. In the event you terminate Milestone's wealth advisory services, financial planning and/or consultation services the balance of any unused, prepaid fee will be refunded to you.

In performing its services Milestone relies on information provided by you or your professional representatives. If requested, Milestone will recommend the services of other professionals for implementation of certain aspects of your financial plan. You are under no obligation to engage the services of any such recommended professional. You retain absolute discretion over all such implementation decisions. It is your responsibility to promptly notify Milestone if there is any material change in your financial situation or investment objectives. Such changes may prompt Milestone to review, evaluate, and/or revise previous recommendations and/or services.

### ***Client Customizations and Restrictions***

Milestone typically provides a customized investment advisory service after conducting an analysis of your personal situation. If agreed upon, Milestone will also provide certain financial planning services to you. You may elect to implement specific investment restrictions consistent with your personal preferences.

### ***Wrap Fee Programs***

Milestone does not participate in any wrap fee programs.

### ***Assets Under Management***

As of December 31, 2016, Milestone managed \$2,098,751,101 in assets on a discretionary basis and \$16,783,864 assets on a non-discretionary basis, a combined amount of \$2,115,534,965.

### ***Account Minimums***

Milestone generally requires clients have a minimum of \$2 million in liquid assets managed by Milestone to start or maintain an account. At Milestone's discretion, Milestone may accept new investment management relationships below its minimum criteria. Milestone's President or Managing Director must approve any exceptions to the minimum requirements. Milestone may terminate accounts falling below this minimum by providing a written notice to the client.

Accounts that do not meet the minimum requirement of \$2 million may not receive the full benefits of Milestone's typical investment strategy due to certain limitations on diversification and other considerations such as transaction costs.

### **Item 5: Fees and Compensation**

Investment management services are available on a discretionary or non-discretionary basis. Milestone calculates its investment management fees as a percentage of total assets under management including cash and accrued income. Clients' assets are held and valued by an independent, third-party custodian. Ongoing account management fees are typically prorated and paid quarterly in arrears, based upon the market value of the assets on the last business day of the previous quarter, not to exceed 1% per annum with breakpoints applying to relationships exceeding \$2 million.

Milestone's minimum annual investment management fee is \$20,000. Milestone's fees are generally non-negotiable; however, fee minimums and rates may be negotiable at Milestone's discretion.

#### **Wealth Advisory and Financial Planning Services**

Wealth Advisory and Financial Planning consulting fees are based on the nature and level of services required. Mutually agreed upon fees may be fixed or hourly, and are generally based on rates varying from \$200-\$500 per hour. Clients only using Milestone's wealth advisory and financial planning services will pay an initial upfront fee and an annual recurring fee for ongoing services provided. Clients utilizing Milestone's investment management services with enhanced financial planning requirements will pay quarterly financial planning fees in arrears.

#### **Specialized Investment Management & Research Services**

Mutually agreed upon fees may be fixed or hourly, and are generally based on rates varying from \$200-\$500 per hour. Fees are usually billed each quarter and not more than six months in advance of services provided.

### Account Aggregation Service

As a part of its Wealth Advisory Services, Milestone offers account aggregation services to consolidate client assets held at unaffiliated financial institutions; providing Milestone advisers and its clients with a more comprehensive understanding of a clients' net worth. Milestone charges a fee for this service ranging from \$1,000 - \$6,000 annually, billed quarterly in arrears, depending on the complexity of the clients' requirements.

### Variable Life Investment Management Fee Schedule

Fees are calculated according to the Standard Investment Management Fee Schedule, not to exceed 1% per annum with breakpoints applying to relationships exceeding \$2 million, but may be negotiable at Milestone's discretion. In some cases, the cash values of managed variable life insurance policies may be combined with the value of other accounts managed by Milestone to establish an overall fee rate.

### Third Party Sub-Advisor Fees

Sub-Advisor fees will vary based on the chosen Sub-Advisor for this service. The annual management fee will be based on the amount of assets managed by the Sub-Advisor and in no event exceed 3% including Milestone's fees. The fees will be paid according to the management agreement of the chosen Sub-Advisor and all fees will be payable directly to the Sub-Advisor granted discretionary authority. You may terminate the management agreement with the Sub-Advisor based on the terms of the agreement and any unearned fees will be refunded or credited against amounts due.

### ***Fee Deductions***

Ongoing account management fees are generally payable quarterly in arrears, based on the market value of the assets on the last business day of the previous quarter. Management fees are pro-rated for any inflows or outflows occurring during the quarter. Account management fees are directly deducted from your account on a quarterly basis unless alternative arrangements are agreed upon between Milestone and you.

At Milestone's discretion, special fee arrangements may be negotiated for family groups, whereby various accounts are bundled to meet asset level fee breakpoints. A family group includes members or relatives of the same family where one central point of contact has been established. Existing clients are subject to advisory fees in effect at the time they enter into the advisory relationship with Milestone. Therefore, Milestone's fee rates may differ among clients.

Milestone's accounting, reporting, and billing systems use pricing information provided by Charles Schwab & Co, Inc. ("Schwab") and in certain instances, prices provided from alternative custodians for your accounts. This information is used to calculate performance returns for client accounts and assess management fees. If you custody your assets outside of Schwab, you may receive custodial statements that reflect slightly different prices for certain securities such as municipal bonds, certain corporate bonds, or other difficult to price securities. When preparing Milestone reports, precedence will be given to Schwab valuations if and when discrepancies exist between custodians. Milestone encourages you to compare your account statements sent directly to you from

your custodian with your Milestone performance reports.

Milestone considers its fees to be competitive with those fees charged by other investment advisers and financial planners offering comparable services; however, comparable services may be available from other sources for higher or lower fees than those charged by Milestone.

### ***Other Fees***

Two Milestone advisers act in a dual-registered capacity with Bank of Texas and BOK Financial Securities, Inc, a dual registered broker/dealer and investment advisor (dba: BOK Financial Advisors- “BOK FA”), an affiliate of The Milestone Group. In this capacity, one advisor receives commissions, 12b-1 fees and other commission-based compensation as a result of previously recommended purchases and sales for legacy clients only. Advisory fees are not charged in addition to commissions for the same client. Although this presents a conflict of interest to the extent the advisor receives trailing commissions in addition to advisory fees, this advisor does not receive any new or additional commission-based compensation from Milestone clients for product sales as of the date of Milestone’s acquisition of Weaver Wealth Management.

Mutual funds, exchange-traded funds and other investment company assets are subject to additional advisory and other fees and expenses. These fees and expenses are described in the prospectuses of those funds, and are paid for by the funds, but are ultimately borne by you.

Broker-dealer custodians utilized by clients, including Schwab, Pershing LLC, Fidelity Investments (“Fidelity”) and Raymond James Financial Services, Inc. (“Raymond James”) charge brokerage commissions and/or transaction fees for certain securities transactions. For example, transaction fees are charged for certain no-load mutual funds and commissions are charged for individual equity and debt securities transactions. Schwab, Pershing, Fidelity and Raymond James enable Milestone to obtain many no-load mutual funds without transaction charges and other no-load and load-waived funds at nominal transaction charges. The transaction charges and/or commission rates charged by Schwab, Pershing, Fidelity and Raymond James are considered discounted from customary retail transaction charges and commission rates. However, the commission and/or transaction fees charged by Schwab, Pershing, Fidelity and Raymond James may be higher or lower than those charged by other broker-dealers. In certain instances, individual fixed income transactions may occur through broker-dealers with whom Milestone and/or you have entered into prime brokerage clearing arrangements. In such event, you may incur two separate transaction fees – one from the executing broker-dealer and the other from the account custodian.

At Milestone you may pay a transaction fee that is higher or lower than another qualified broker-dealer might charge for the same transaction; however, the commissions and/or transaction fees you pay will comply with Milestone’s duty to obtain best execution. In these instances, Milestone may determine, in good faith, that the commission is reasonable in relation to the quality of the brokerage services received. In seeking best



execution for your account, Milestone's determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution. When making this determination, Milestone takes into consideration the full range of broker-dealer services, including the value of research provided, execution capability, commission rates and responsiveness. Although Milestone will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for your account transactions.

### ***Timing of Fees and Obtaining Fee Refunds***

All services may be terminated by the client verbally with their Milestone advisor or by either party in writing, excluding email. Milestone will provide the client with a written confirmation when a client verbally terminates their relationship with Milestone.

Investment management fees will be based on the investment management account value pro-rated to the termination date. Wealth advisory, financial planning, project, or hourly fees paid in advance, if any, will be pro-rated to the date of termination specified, and any unearned portion will be refunded or credited against amounts due. If a relationship is terminated within the first five days of the agreement, Milestone will refund any prepaid fees.

### ***Additional Compensation***

Milestone and its employees do not accept compensation for the sale of securities or other investment products. Milestone employees are compensated for client referrals. Please see Item 14: Client Referrals and Other Compensation for additional information.

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

Milestone does not charge any performance fees.

## **Item 7: Types of Clients**

Milestone's clients include individuals, families, trusts, pension plans, profit sharing plans and similar entities.

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

### ***Methods of Analysis and Risks***

Depending on your financial needs, risk tolerance and special circumstances, Milestone will help you choose the appropriate investment objective and asset class mix generally defined by your exposures to equities and bonds. Your assets are managed by a team of Milestone's investment professionals that includes portfolio managers and investment analysts. Milestone manages each investment objective primarily by: (1) diversifying capital to several asset classes (primarily U.S. and foreign stocks, bonds and commodities, which are usually represented by mutual funds and exchanged-traded funds ("ETFs")); (2) rebalancing to target allocations; and (3) generally seeking to limit what Milestone deems as unnecessary portfolio expenses. In addition, Milestone will consider fundamental valuations, the current macro-economic climate, market sentiment and other

factors to adjust asset class allocations over time. The asset classes you hold are exposed to investment risk that may include the loss of principal invested.

For mutual funds and ETFs, the analysis includes a review of:

- The fund's management team,
- The fund's historical risk and return characteristics,
- The fund's exposure to sectors and individual issuers,
- The fund's fee structure, and
- Any other factors considered relevant.

### ***Investment Strategies and Risks***

Milestone's investment strategies expose a client to daily market fluctuations that may include loss of principal. Factors that may impact asset class values include foreign exchange risk, fixed income credit and interest rate risk and general market performance. Milestone does not attempt to avoid adverse pricing movements but may use those opportunities to sell appreciated assets and purchase poorly performing assets.

### ***Primary Investment Vehicles and Risks***

Milestone primarily recommends open-end mutual funds, exchange-traded funds, and fixed income securities in accordance with your investment objectives. Depending on your particular situation, Milestone may also recommend the use of individual equities, options, closed-end mutual funds, or other securities. Mutual funds and exchange-traded funds have exposure to underlying securities that may be exposed to loss of principal due to adverse market conditions. Options are subject to 100% loss. However, Milestone's use of options is typically limited to options held within the mutual funds and ETFs recommended by Milestone.

Milestone may recommend closed-end mutual funds that invest in a portfolio of reinsurance related securities, including event-linked bonds and other related shares, notes and derivative securities. These investments are subject to liquidity risk and principal risk by investing in event-linked securities based on the occurrence of a triggered event(s) (such as tornado, hurricane, or earthquake) resulting in a potential loss of principal and/or interest payments. Fixed income securities are exposed to credit default risk and interest rate risk, which could include the loss of principal. Foreign securities in mutual funds may also expose your portfolio to potential loss due to exchange rate risk.

### **Item 9: Disciplinary Information**

Milestone and its employees have not been involved in any investment-related legal or disciplinary events in the past 10 years that would be material to a client's evaluation of Milestone or its personnel.

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

Certain Milestone management persons are also employees, management persons, executive officers, directors, or registered representatives of BOKF, NA, Cavanal Hill

Investment Management, Inc. (“Cavanal Hill”), BOK Financial Asset Management, Inc., or BOK Financial Securities, Inc. Neither Milestone nor any of its employees are registered, or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or are an associated person of the foregoing entities.

The following is a description of relationships or arrangements that are important to Milestone’s advisory business or to our clients that we or our personnel have with any affiliate mentioned below.

### ***Related Relationships***

#### **Accountant of Accounting Firm**

On occasion, Milestone employees may recommend tax consulting or other related tax services to its clients. Milestone may consult with in-house or outside tax specialists for these services, including S. Mark Springston CPA, a Milestone employee. All recommendations for tax-related services are provided on a non-discretionary basis. Milestone has a tax consulting fee of \$250 per hour and considers this to be competitively priced; however, similar outside tax services may be available for comparable or lower costs.

#### **Banking or Thrift Institution**

BOKF, NA is a national banking association and is a wholly-owned subsidiary of BOK Financial Corporation. BOKF, NA does business as Bank of Oklahoma, Bank of Texas, Bank of Albuquerque, Bank of Arizona, Colorado State Bank and Trust, Missouri Bank and Trust Company and Bank of Arkansas.

#### **Investment Advisor or Financial Planner**

BOK Financial Securities, Inc. is a dual registered broker/dealer and investment advisor (dba: BOK Financial Advisors- “BOK FA”) an affiliate of Milestone. BOKF, NA is a national banking association affiliate that may also provide advisory and financial planning services to its clients. BOK Financial Asset Management, Inc., Cavanal Hill Investment Management, Inc. and StepStone LP are registered investment advisor affiliates of Milestone, and wholly-owned subsidiaries of BOKF, NA.

#### **Investment Company or Other Pooled Investment Vehicle**

The Cavanal Hill Funds, an affiliate of Milestone, is an investment company registered under the Investment Company Act of 1940. The Cavanal Hill Funds are managed by Cavanal Hill and are compensated for the provision of services to the funds (e.g., distribution, custodial, and administrative services). At this time, Milestone clients do not invest in Cavanal Hill Funds. However, any future Milestone client transactions in the Cavanal Hill Funds would create a conflict of interest since Cavanal Hill is an affiliate of Milestone’s parent company, BOK Financial Corporation. Cavanal Hill Distributors, Inc. (CHD) serves as the distributor and principal underwriter to each of the Cavanal Hill Mutual Funds pursuant to a Distribution Agreement with the Cavanal Hill Funds and receives certain fees for its services.

Broker-Dealer, Municipal Securities Dealer, or Government Securities Dealer

BOK Financial Securities, Inc. is a registered broker-dealer, municipal securities dealer, and member FINRA/SIPC. Milestone does not effect client transactions through BOK Financial Securities, Inc.

Insurance Company or Agency

BOSC Agency, Inc. is a subsidiary of BOK Financial Corporation and an affiliate of Milestone. Milestone has one advisor who utilizes the services of BOSC Agency, Inc. Any transactions initiated by this advisor through BOSC Agency, Inc would create a conflict of interest since BOSC Agency, Inc is an affiliate of Milestone's parent company, BOK Financial Corporation.

As required, any affiliated investment advisers and broker-dealers are specifically disclosed in Section 7.A on Schedule D of Form ADV, Part 1, which can be accessed by following the directions provided on the cover page of this Brochure.

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

Milestone has adopted a Code of Ethics, which sets forth the ethical standards of business conduct required of our employees, including compliance with applicable federal securities laws. As part of Milestone's Code of Ethics, employees are required to:

1. Act in an ethical manner with the public, clients, prospective clients and employers;
2. Place the interests of clients and the integrity of the capital markets above their own personal interests;
3. Avoid taking inappropriate advantage of their position as investment advisers;
4. Conduct all personal trading in a manner consistent with Milestone's personal securities transactions policy;
5. Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities;
6. Practice in a professional and ethical manner;
7. Comply with applicable provisions of the federal securities laws.

A copy of Milestone's Code of Ethics is available to any client or prospective client upon request.

***Potential Conflict of Interest – Securities Common to Client and Employee/Related Accounts***

As described above and in accordance with federal securities laws, Milestone has adopted a Code of Ethics that is meant to mitigate the risks associated with the personal trading activities of its employees and other accounts related to its employees. Milestone also fully embraces its fiduciary duty to protect the best interests of its clients. Milestone authorizes its employees to trade, for their personal accounts, in the same securities that it invests and recommends for its clients' accounts, including family related Milestone client accounts, but specifically prohibits trading activity intended to benefit an employee at the expense of a client or leveraged off of a client's activities.

To expand on the topic, there could be a situation where a Milestone Analyst<sup>[1]</sup> might trade a particular security for Milestone clients' accounts on the same day that another Milestone employee might trade in the same security for the benefit of his or her personal account, or a family related Milestone client account.

After careful consideration, we have determined that such situations generally do not represent a departure from the fiduciary duty Milestone owes its clients. This assessment is based on the following facts:

- Each client account is modeled to a specific model or “ideal” portfolio construct. The implementation of portfolio construction and rebalancing of portfolio holdings to that model, however, is determined and initiated on a case-by-case basis after the individual circumstances of each client is assessed.
- Once this analysis is complete for any given client, trades are typically initiated for that account. Milestone typically will not delay trading a client account for the purposes of aggregating trades. As a result of the emphasis on managing and trading accounts according to each client's unique needs and circumstances, however, execution prices for the same security traded in different client accounts at different times of the trading day will likely result in varying prices due to fluctuations in market price and the time of execution.
- Milestone believes that differential prices achieved as the result of transaction order within the day, or multiple days, or throughout the course of a quarter, are determined by random events outside of Milestone's control. Milestone, therefore, does not consider the order of trade execution as a prejudice, or a benefit to any particular client.
- Some Milestone employees have family members who are also fee-paying Milestone clients and these accounts are traded in the same manner as non-family member Milestone clients.
- Milestone employees typically invest in either open-end mutual funds with end-of-day pricing or ETFs with intra-day pricing where the price of a security transaction floats throughout the trading day.
  - For mutual funds, the net effect is that any client account or Milestone employee personal account will realize the same execution price at the end of the trading day – irrespective of when the order was placed.
  - For ETFs, the valuation is typically based on a diversified basket of a large number of underlying securities. For such ETFs, Milestone's trading activities and position sizes are typically insignificant relative to the aggregate trading volumes and market capitalizations of all the underlying holdings of the ETF. This factor, coupled with the ability for investors to create and redeem ETF shares in baskets of the underlying securities makes it very unlikely for Milestone trading activity to materially influence the values of such ETF

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<sup>[1]</sup> Milestone's Analysts are generally responsible for initiating and ensuring proper execution the trades in client accounts.

securities, or for an ETF investor to determine a more advantageous time to execute a trade and achieve a more favorable price over another investor. For this reason, Milestone generally does not restrict its employees from buying or selling ETFs on the same day a Milestone client might coincidentally trade in the same security.

- Milestone discloses these facts so that clients will understand there may be a limited number of situations where a Milestone employee's personal trading account, or the account of a related family member, may achieve a less expensive "buy" or a more expensive "sell" than a client account might for the same security on the same trading day, and the opposite may occur as well.
- Milestone has adopted a formal Code of Ethics to avoid any potential conflicts of interest involving employee personal trades. Milestone employee personal trading is overseen by its CCO and employees are expected to comply with the requirements outlined in its Code of Ethics.

Milestone may give client advice or take actions for another client, for Milestone's own accounts or for employee accounts, that is different from the advice given to a particular client. Milestone is not obligated to purchase, sell, or recommend for a client a security or other investment that Milestone may purchase, sell or recommend for any other client or for its corporate, officer, or employee accounts.

#### ***Potential Conflict of Interest – Trade Error Policy***

From time to time, Milestone trade errors may occur. To correct trade errors, Milestone will place a correcting trade with the broker-dealer that has custody of the account. At Schwab, Milestone is responsible for any losses exceeding \$100 when it is determined it is responsible for the error. For losses less than \$100, Schwab will bear the loss to minimize and offset its administrative time and expense. If an investment gain results from the correcting trade, the gain will remain in the client's account unless the same error involved other client account(s) that should have received the gain, it is not permissible for the client to retain the gain, or the client decides to forego the gain (e.g., due to tax reasons). If the gain does not remain in the client's account and Schwab is the custodian, Schwab will donate the amount of any gain of \$100 or more to charity.

Trade errors involving Fidelity are placed in Milestone's error account at Fidelity.

Milestone is responsible for trade errors in client accounts at Pershing.

For trade errors involving Raymond James, Milestone is responsible for any and all losses related to non-mutual fund securities transactions and any losses exceeding \$25 for mutual fund transactions. Milestone is permitted to offset a loss on a particular error in any trading area with a gain from another error in any trading area as long as the offsetting gain and loss occurred within a 30-day period.

Generally, if related trade errors result in both gains and losses in a client account, they will be netted.

## **Item 12: Brokerage Practices**

### ***Selecting Broker-Dealers***

Unless you direct otherwise, Milestone will recommend that all investment management accounts be maintained at Schwab, Pershing, Fidelity or Raymond James. When recommending these custodians (or any other broker-dealer/custodian) to clients, Milestone considers their financial strength, reputation, execution, pricing, research and service.

Milestone will arrange for the execution of securities transactions through broker-dealers that Milestone reasonably believes will provide “best execution.” In seeking best execution, the determinative factor is not the lowest possible commission cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer’s services including the value of research provided, execution capability, commission rates and responsiveness of the broker. Although Milestone will seek competitive commission rates, it may not necessarily obtain the lowest possible commission rates for account transactions. Milestone generally does not execute individual bond transactions at the clients’ custodian. As a result, custodians may charge clients trade-away fees. Milestone believes the benefit of price or execution quality received from trading away from the custodian outweighs the additional transaction fee incurred.

### ***Research and Other Soft Dollar Benefits***

Milestone receives benefits from certain broker-dealers, including Schwab, Pershing, Fidelity and Raymond James, that it would not receive if it did not provide investment advice to clients. Although these benefits are not paid for with client commissions, these practices may be considered informal soft dollar arrangements. Some of these products and services assist Milestone in managing and administering clients’ accounts. These include software and other technology that provide access to client account data such as trade confirmations and account statements. These services also include software that facilitates trade execution and allocation of aggregated trade orders, research, pricing information and other market data, software that facilitates payment of Milestone’s fees from its clients’ account and services that assist with back-office support, recordkeeping and client reporting. Many of these services are used to service all or a substantial number of clients’ accounts. Broker-dealers may also provide Milestone with information and consulting services intended to help Milestone manage and further develop its business enterprise. These services may include technology consulting, business consulting and access to regulatory compliance publications and presentations. The broker-dealers 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 Milestone. Milestone’s receipt of the foregoing products and services is not contingent upon Milestone committing to any specific amount of business to the broker-dealers (i.e., assets in custody or trading). On occasion, Milestone may be invited to attend certain industry seminars or meetings organized by broker-dealers or custodians. A portion or the entire cost of attending these events, including travel, accommodations and

entertainment may be offset by these entities.

Milestone receives analytical portfolio software from Dimensional Fund Advisors (“DFA”), the sponsor to certain funds recommended by Milestone. Milestone uses the software to analyze portfolio diversification parameters and optimal portfolio construction among other items. Such software may be used in creating marketing presentations provided to existing or prospective clients. In addition, DFA may provide Milestone with access to their professional resources to assist in creating or running reports on the DFA software. Milestone uses the services provided by DFA to assist with its investment decision-making and trade execution practices to benefit its clients.

Milestone does not receive any soft dollar credits from custodians that might otherwise create a material conflict of interest with its clients. Milestone does not believe its clients pay higher commissions or other fees than those charged by other broker-dealers in return for these services benefiting its clients.

### ***Directed Brokerage***

You may direct Milestone to use a particular broker-dealer to execute some or all transactions for your account. Milestone reserves the right to decline and/or terminate the engagement if such arrangements cannot be accommodated. In such event, you will negotiate terms and arrangements for the account with that broker-dealer, and Milestone will not seek better execution services or prices from other broker-dealers or be able to aggregate your transactions for execution through other broker-dealers with orders for other accounts managed by Milestone. As a result, you may pay higher commissions, transaction costs, spreads, or receive less favorable net prices on transactions than would otherwise be the case.

### ***Trade Aggregation***

Milestone generally manages client accounts according to their individual directives. However, under certain circumstances, it may be beneficial to aggregate client orders for a specific security. Milestone may, but is not obligated to combine or aggregate client trades.

### ***Trade Allocations***

Milestone manages accounts for numerous clients that invest in the same or similar securities. Although the overwhelming majority of securities used in Milestone’s investment strategy are highly liquid and readily available, certain municipal bonds or other fixed income securities may occasionally have capacity constraints. Milestone attempts to allocate investment opportunities among clients in a fair and equitable manner. Performance is never a factor in Milestone’s decision to allocate securities to a client’s account.

## **Item 13: Review of Accounts**

### ***Discretionary Account Review Frequency***

On a daily basis, Milestone reviews client accounts for cash flows, fixed income



maturities and other transactions. Milestone reviews and analyzes asset allocations, securities and other investment vehicles on an on-going basis. When deemed appropriate, portfolio actions are taken.

In most instances, clients will receive quarterly Milestone reports detailing the performance of their investment accounts.

Investment guidelines are reviewed periodically with each client, or as circumstances may dictate. Such circumstances include changes in capital market conditions, economic changes, tax changes, and/or a change in a client's financial objectives or risk tolerance. Milestone attempts to ensure conformity with each client's stated goals, financial profile and investment objectives.

The Investment Management Committee oversees the review of client accounts. The Investment Management Committee includes a diverse and experienced group of Milestone financial advisers, investment analysts and chief investment officer. The Investment Management Committee is responsible for developing and implementing Milestone's investment strategy.

#### ***Non-Discretionary Account Review Frequency***

When offered, Milestone's Financial Advisors review non-discretionary accounts on a continuous basis; however, they first receive permission from clients before implementing trades.

You are advised that it remains your responsibility to advise Milestone of any changes in your investment objectives and/or financial situation. You (in person or via telephone) are encouraged to comprehensively review financial planning issues, investment objectives and account performance (as applicable) with Milestone on an annual basis.

#### ***Reporting Frequency***

In most instances, Milestone will produce written or web-based client performance reports on a quarterly basis for discretionary accounts reflecting their investment portfolio performance for the stated period. Non-discretionary accounts are often included with discretionary account performance reports while non-managed accounts typically do not receive any reports from Milestone.

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

#### ***Referral Sources***

Milestone will pay an unaffiliated solicitor, affiliated solicitor, or an employee a fee for referring a prospective client to Milestone. Such a fee will be paid in accordance with Rule 206(4)-3 of the Investment Advisers Act of 1940 and any state or regulatory requirements.

Unaffiliated Solicitors receive a referral fee providing an incentive for the referrer to act in his or her own best interest. In order to address this conflict of interest, unaffiliated

solicitors are required to provide all prospective clients with a separate written disclosure document that fully informs the client regarding the nature of the relationship between the solicitor and Milestone and any fees to be paid. Milestone has unaffiliated solicitor agreements with two individuals. Referral fees range from 10% to 20% of the estimated client revenue for an agreed upon timeframe.

Affiliated Solicitors receive a referral fee under an affiliated solicitor agreement with its employees and BOKF, NA, which does business as Bank of Arkansas, Bank of Texas, Colorado State Bank & Trust, Missouri Bank and Trust Company, Bank of Arizona and Bank of Oklahoma. Some Milestone employees receive a referral fee under separate referral agreements with Milestone.

All referral fees are paid solely from Milestone (or, BOKF NA with respect to referrals by BOKF NA employees) in accordance with a written agreement between the solicitor and Milestone, and will not result in any additional charge to the client.

BOK FA and BOKF, NA may receive compensation from Milestone where BOK FA, BOKF, NA or one of its representatives introduces a client to Milestone resulting in a client relationship. Such a fee will be paid in accordance with Rule 206(4)-3 of the Act. Affiliate employees are required to disclose the status of their relationship with Milestone at the time of the solicitation or referral.

#### **Item 15: Custody**

Milestone does not have custody of your funds or securities with the exception of the SEC's safe harbor allowing it to deduct advisory fees from client accounts. All client accounts are maintained at qualified custodians that are not affiliated with Milestone. Account statements are required to be produced and sent to you by the account custodian no less frequently than on a quarterly basis. Milestone encourages you to compare your custodial account statements with your Milestone performance report. In the event of a discrepancy, the custodial statement will serve as the official statement.

#### **Item 16: Investment Discretion**

Investment management and investment supervisory services are offered on a discretionary and non-discretionary basis. For discretionary accounts, Milestone is authorized to implement recommendations without contacting the client. For non-discretionary accounts, Milestone seeks approval from the client for each recommended course of action.

Prior to providing investment management services, Milestone requires you enter into a formal *Investment Advisory Agreement* that sets forth the terms and conditions under which Milestone shall manage your assets. In addition, clients must sign a separate custodial/clearing agreement with their chosen custodian. Both Milestone's *Investment Advisory Agreement* and the custodial/clearing agreement may authorize the custodian to debit your account for Milestone's investment management fee and, if applicable, other wealthy advisory, financial planning or tax-related consulting fees. Fees are directly

remitted to Milestone.

**Item 17: Voting Client Securities**

You are responsible for all proxy voting. Milestone does not vote proxies on your behalf. You will receive proxies or other solicitations directly from your custodian and may contact the custodian directly should you have any questions about a particular solicitation. Also, Milestone does not proactively participate in class action lawsuits on behalf of its clients.

**Item 18: Financial Information**

Milestone does not charge any fees for any client more than six months in advance.

Milestone is unaware of any financial condition that is likely to impair its ability to meet its contractual commitments to its clients. Milestone has not been the subject of a bankruptcy petition.

*The Milestone Group's Chief Compliance Officer, Mark J. Riley, remains available to address any questions regarding this Part 2A of Form ADV brochure.*