

**Item 1 - Cover Page**

**TFO PHOENIX, INC.**

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**[www.tfophoenix.com](http://www.tfophoenix.com)**

**March 26, 2019**

This Brochure provides information about the qualifications and business practices of TFO Phoenix, Inc. (hereinafter "TFO"). If you have any questions about the contents of this Brochure, please contact us at (602) 466-2611. 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.

TFO is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about TFO also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The CRD number for TFO is 159440.

## 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 the filing of our last annual updating amendment dated February 15, 2018, we have amended our disclosure brochure to remove reference to Pershing Advisor Solutions, LLC as we no longer recommend their custodial services.

- Additionally, we removed reference to minimum annual fees as we no longer charge a minimum fee for Investment Management, Family Office, and Retirement Plan Services.
- We also added disclosure language in Item 12 regarding our brokerage practices. The updated language reads as follows:

*Certain custodians' transaction charges may be in the form of asset-based fees in lieu of per transaction fees. These charges and fees are imposed by the broker-dealer or custodian through whom client account transactions are executed and are not paid by or to TFO. The benefits of asset-based in lieu of per transaction pricing generally depends on the number of transactions likely to be generated in the client account. For example, asset-based pricing may not be suitable for accounts with little trading activity. In order to evaluate whether asset-based pricing is suitable for clients, clients should compare the asset-based transaction fee with the amount that would be charged by the custodian on a per transaction basis. TFO will evaluate the transaction activity, and/or anticipated transaction activity to assist the client in determining whether asset-based transaction pricing is favorable for the client account.*

Currently, our Brochure may be requested by contacting TFO's Chief Compliance Officer, Patricia Schwarz at (602) 466-2611.

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## Item 4 Advisory Business

TFO is owned by two trusts: 1) CASK Irrevocable Trust U/A Dated 10/3/2011, and 2) TFO, Irrevocable Trust U/A Dated 10/4/2011. The Trustee and control person for trust #1 and trust #2 is Mr. Christopher Erblich. Mr. Erblich is Chairman/CEO of TFO. TFO has been providing advisory services since October 2011.

As of December 31, 2018, TFO managed \$2,096,687,407 on a discretionary basis and \$674,558,498 on a non-discretionary basis.

### **Investment Management Services:**

TFO manages investment portfolios for a wide variety of clients and their accounts, including individuals, qualified retirement plans, trusts, charitable organizations, small businesses and corporations. TFO will work with a client to determine the client's investment objectives and investor risk profile and generally will design a written investment policy statement. TFO uses a variety of tools, including investment and portfolio allocation software to evaluate alternative portfolio designs. TFO evaluates the client's existing investments with respect to the client's investment objectives. TFO works with new clients to develop a plan to transition from the client's existing portfolio to the desired portfolio. TFO will then regularly monitor the client's portfolio holdings and the overall asset allocation strategy and hold review meetings with the client regarding the account as necessary.

TFO will create a portfolio consistent with the client's investment objectives and will allocate the client's assets among various investments, taking into consideration the specific objectives and preferences of the client. TFO primarily creates portfolios consisting of no-load mutual funds, exchange traded funds (ETFs), and managed accounts of individual equities/bonds managed by third-party advisors. Client portfolios may also include some individual equity securities in situations where disposition of these securities would present an overriding tax implication or the client specifically requests they be retained for personal reasons. These situations will be specifically identified in the client's Investment Policy Statement ("IPS"), if one is utilized, or otherwise documented and may be designated as non-managed assets in certain cases.

TFO manages portfolios on a discretionary, and in limited cases, on a non-discretionary basis, according to the desires of the client. A client may impose any reasonable restrictions on TFO's discretionary authority, including restrictions on the types of securities and specific securities to be used in the client's portfolio.

In certain circumstances, TFO may allocate a portion of a portfolio to an independent third-party investment advisor ("separate account manager") when appropriate for the client's circumstances and objectives, including, but not limited to, client account size, tax circumstances and type of investments. Upon the recognition of such situations, in coordination with the client, TFO may hire a separate account manager or enter into a tri-party agreement with the client and separate account manager for the management of those securities. In some cases, separate account managers may have entered into a sub-advisory agreement with TFO.

TFO will monitor the performance of the selected separate account manager(s). If TFO determines that a particular selected separate manager is not providing appropriate management services to the client, or is not managing the client's portfolio in a manner consistent with the client's personal investment guidelines or asset allocation, TFO will remove the client's assets from that selected separate account manager (if a discretionary account) or recommend the client remove assets from the manager (if a non-discretionary account). TFO will then recommend placing the client's assets with another

investment manager. Clients may be required to execute documents to re-allocate assets amongst separate account managers. For non-discretionary accounts, TFO will make recommendations to the client as appropriate.

On an ongoing basis, TFO will answer clients' inquiries regarding their accounts and review the performance of their accounts periodically with clients. TFO will periodically review clients' investment objectives risk profile and discuss the re-balancing of each client's accounts to the extent appropriate. TFO will provide to the separate account manager any updated client financial information or account restrictions necessary for the manager to provide services.

In addition to managing the client's investment portfolio, TFO provides additional wealth management services to clients based on their unique circumstances and needs. Such services may include consulting with clients on various financial areas including income and estate tax planning, financial planning, business sale structures, college financial planning, retirement planning, insurance and risk management analysis, personal cash flow analysis, establishment and design of retirement plans and trust designs, among other things.

#### **Family Office Services:**

In addition to investment management services described above, TFO also provides Family Office services to select clients. These services may include some or all of the following: analysis of private investments, family governance consulting, philanthropic consulting, coordination among other service providers engaged by the client (legal, estate, tax, accounting, insurance and banking), coordination of cash management services, advice and reporting requested by the client. Family Office services are not offered to all TFO clients. TFO also provides additional non-investment advisory services to some clients as part of the Firm's Family Office Services. See Item 10 for additional information.

#### **Retirement Plan Services:**

TFO also provides advisory services to participant-directed employee retirement benefit plans. TFO's services may include, but are not limited to, one or more of the following: analysis of the plan's current investment platform, assisting the plan in creating an investment policy statement defining the types of investments to be offered and the restrictions that may be imposed, recommending and periodically reviewing the plan's investment options, specific investment advice to plan participants, coordinating with the plan's service providers to implement investment strategies, participant education and performance monitoring. In certain circumstances, TFO provides discretionary services where it will select and replace the plan's investment options as necessary.

The services are designed to assist plan sponsors in meeting their management and fiduciary obligations to Plan Participants under the Employee Retirement Income Securities Act ("ERISA"). Pursuant to adopted regulations of the U.S. Department of Labor under ERISA Section 408(b)(2), TFO is required to provide the Plan's responsible fiduciary (the person who has the authority to engage TFO as an investment adviser to the Plan) with a written statement of the services TFO provides to the Plan, the compensation TFO receives for providing those services, and TFO's status (which is described below).

The services TFO provides to the Plan are described above and in the service agreement that the client signed with TFO. TFO's compensation for these services is described below, at Item 5, and also in the service agreement. TFO may, with consent of the Plan, and in accordance with Plan documents, bill out-of-pocket expenses (such as overnight mailings, messenger fees, etc.) at cost. TFO does not reasonably expect to receive any other compensation, direct or indirect, for the services it provides to the Plan or Plan Participants.

In providing services to the Plan and Plan Participants, TFO's status is that of an investment adviser registered under the Investment Advisers Act of 1940, and TFO is not subject to any disqualifications under Section 411 of ERISA. In performing ERISA fiduciary services, TFO may act as either a non-discretionary fiduciary or a discretionary fiduciary of the Plan as both are defined in Section 3(21)(A). In some cases, TFO may act as a discretionary "investment manager" of the Plan as defined in Section 3(38) under ERISA.

### **Consulting Services:**

Clients can also receive financial advice on a more limited basis. This may include advice on an isolated area(s) of concern such as estate planning, retirement planning, reviewing a client's existing portfolio, tax compliance and planning or any other specific topic. TFO also provides specific consultation and administrative services regarding investment and financial concerns of the client.

## **Item 5 Fees and Compensation**

TFO's fees, account minimums and their applications to family circumstances are negotiable.

The specific manner in which fees are charged by TFO is established in a client's written agreement with TFO. Generally, for Investment Management, Family Office and Retirement Plan services, clients who are charged assets based fees will be billed in advance at the beginning of each calendar quarter, based upon the value of the client's account at the end of the previous quarter. (Based on market value, or in the absence thereof, fair market value, which may be determined by independent third party sources; client account balances on which TFO calculates fees may vary from account custodial statements based on independent valuations and other accounting variances, including mechanisms for including accrued interest in account statements. In limited circumstances where asset values are calculated by third parties quarterly in arrears, advisory fees are based on the value of assets as of the most recent quarterly valuation, which is typically six months in arrears.) New accounts are charged a prorated fee for the remainder of the quarter in which the account is incepted (date of first deposit).

For Investment Management, Family Office and Retirement Plan services, TFO will request authority from the client to receive quarterly payments directly from the client's account held by an independent custodian. Clients may provide written limited authorization to TFO or its designated service provider, to withdraw fees from the account. Clients will receive custodial statements showing the advisory fees debited from their account(s). Certain third party administrators will calculate and debit TFO's fee and remit such fee to TFO. At the request of a client, TFO will invoice the client directly for payment of advisory fees.

A client agreement may be terminated at any time, by either party for any reason upon receipt of written notice. Upon termination, any prepaid, unearned fees will be promptly refunded, based on the number of remaining days in the quarter.

### **Advisory Fees**

#### **Investment Management, Family Office & Retirement Plan Services:**

Typically, fees for Investment Management and Family Office services are charged as a percentage of client assets under management and are determined utilizing a tiered fee schedule relative to the level of client assets. Utilizing this approach, the total percentage fee charged can range up to a maximum of 1.50% of client's assets under management. Individual Accounts for related entities and immediate family members (e.g., husband, wife and/or children) can be aggregated, and the fee can be charged based on the total value of all family members' Accounts. TFO will quote an exact percentage to each client based on both the nature and total dollar value of the account(s) and based on the requirements of the client and the complexity of the services provided. In certain cases, TFO charges clients a

negotiable fixed fee in lieu of an asset based fee. All fees are agreed upon prior to entering into a contract with any client. TFO Phoenix may discount advisory fees for employees (including their immediate family members) of TFO Phoenix and employees of affiliated entities of TFO Phoenix.

For Retirement Plan services, the annual fee ranges up to 1.50% of the Plan's assets. TFO's fee is negotiable and will be determined based on the scope and complexity of the services provided. In certain circumstances for Retirement Plan services clients, TFO may bundle investment advisory fees with TPA fees into one fee for a client. TPA services will be provided by an independent Third Party Administration firm. The specific annual bundled fee will be based on the nature and complexity of each client's circumstances, and upon mutual agreement with the client.

If an independent third-party advisor is utilized for the separate account management described earlier in Item 4, that advisor may charge fees in addition to TFO's. All fees and expenses charged by separate account managers are separate and distinct from those TFO charges and are withdrawn from the client's account by the separate account manager. TFO does not receive any fees or payments from separate account managers. TFO will review the aggregate fee charged by both TFO and the selected separate account manager(s) for reasonableness and to ensure that they are competitive with those fees customarily charged in the industry for similar services.

#### **Consulting Services:**

TFO will typically charge an hourly or fixed fee for Consulting Services. Fixed fees will typically range from \$5,000 - \$50,000, depending on the nature and complexity of each client's circumstances. Hourly fees will typically range from \$150 - \$450 per hour, depending on the nature and complexity of each client's circumstances, as well as the individual conducting the work. Typically, fees are paid in advance; however, other fee paying arrangements can be made.

The different types of fee arrangements can also be combined as appropriate for the different types of services requested by the client.

#### **Additional Fees and Expenses**

TFO's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients can incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. These fees will generally include a management fee and other fund expenses. All fees paid to TFO for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and ETFs to their shareholders.

Such charges, fees and commissions are exclusive of and in addition to TFO's fee, and TFO shall not receive any portion of these commissions, fees, and costs. Clients will also be responsible for reimbursement of reasonable out of pocket expenses incurred by TFO.

#### **IRA Rollover Considerations**

As part of our investment advisory services to you, we may recommend that you withdraw the assets from your employer's retirement plan and roll the assets over to an individual retirement account ("IRA") that we will manage on your behalf. If you elect to roll the assets to an IRA that is subject to our management, we will charge you an asset based fee as set forth in the agreement you executed with our firm. This practice presents a conflict of interest because persons providing investment advice on our behalf have an incentive to recommend a rollover to you for the purpose of generating fee based



compensation rather than solely based on your needs. You are under no obligation, contractually or otherwise, to complete the rollover. Moreover, if you do complete the rollover, you are under no obligation to have the assets in an IRA managed by our firm.

Many employers permit former employees to keep their retirement assets in their company plan. Also, current employees can sometimes move assets out of their company plan before they retire or change jobs. In determining whether to complete the rollover to an IRA, and to the extent the following options are available, you should consider the costs and benefits of:

An employee will typically have four options:

1. Leaving the funds in your employer's (former employer's) plan.
2. Moving the funds to a new employer's retirement plan.
3. Cashing out and taking a taxable distribution from the plan.
4. Rolling the funds into an IRA rollover account.

Each of these options has advantages and disadvantages and before making a change we encourage you to speak with your CPA and/or tax attorney.

If you are considering rolling over your retirement funds to an IRA for us to manage here are a few points to consider before you do so:

1. Determine whether the investment options in your employer's retirement plan address your needs or whether you might want to consider other types of investments.
  - a. Employer retirement plans generally have a more limited investment menu than IRAs.
  - b. Employer retirement plans may have unique investment options not available to the public such as employer securities, or previously closed funds.
2. Your current plan may have lower fees than our fees.
  - a. If you are interested in investing only in mutual funds, you should understand the cost structure of the share classes available in your employer's retirement plan and how the costs of those share classes compare with those available in an IRA.
  - b. You should understand the various products and services you might take advantage of at an IRA provider and the potential costs of those products and services.
3. Our strategy may have higher risk than the option(s) provided to you in your plan.
4. Your current plan may also offer financial advice.
5. If you keep your assets titled in a 401k or retirement account, you could potentially delay your required minimum distribution beyond age 70.5.
6. Your 401k may offer more liability protection than a rollover IRA; each state may vary.
  - a. Generally, federal law protects assets in qualified plans from creditors. Since 2005, IRA assets have been generally protected from creditors in bankruptcies. However, there can be some exceptions to the general rules so you should consult with an attorney if you are concerned about protecting your retirement plan assets from creditors.
7. You may be able to take out a loan on your 401k, but not from an IRA.
8. IRA assets can be accessed any time; however, distributions are subject to ordinary income tax and may also be subject to a 10% early distribution penalty unless they qualify for an exception such as disability, higher education expenses or the purchase of a home.
9. If you own company stock in your plan, you may be able to liquidate those shares at a lower capital gains tax rate.
10. Your plan may allow you to hire us as the manager and keep the assets titled in the plan name.

It is important that you understand the differences between these types of accounts and to decide whether a rollover is best for you. Prior to proceeding, if you have questions contact your investment adviser representative, or call our main number as listed on the cover page of this brochure.



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

TFO does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client). All fees are calculated as described above and are not charged on the basis of income or capital gains or capital appreciation of the funds or any portion of the funds of an advisory client.

## Item 7 Types of Clients

TFO offers services to a wide variety of clients and their accounts, including individuals, qualified retirement plans, trusts, charitable organizations, small businesses and corporations.

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

TFO's investment philosophy is centered on the academically-supported notion that attempting to forecast the future of the financial markets is counter-productive to a successful investment experience. Said differently, TFO believes the extremely competitive nature of financial markets makes it highly unlikely that one investor can systematically profit at the expense of others. Rather, TFO's investment approach incorporates the following concepts:

1. **Assessing and understanding the specific goals, objectives and time horizon of each client is crucial to developing an appropriate investment strategy.** TFO's portfolio recommendations are developed in light of each client's current assets, future desired cash flows and tolerance for volatility. TFO will often utilize Monte Carlo simulations to help model the inherent uncertainty of investment returns and help clients evaluate the appropriate amount of risk to take for their particular circumstances.
2. **Risk and return are inherently related.** TFO's belief is that there are few, if any, "free lunches" in the investment world, and that most often excess returns are only achieved by taking additional risk. That said, TFO believes there are certain risks that have greater academic and historical support for producing incremental returns. TFO tends to focus client portfolios on these risk factors when risk is required to be taken to meet the client's objectives.
3. **Diversification is key.** Because of TFO's belief that it is incredibly challenging to successfully forecast the markets, TFO's portfolios typically have exposure to diverse groups of asset classes. It is important that each asset class utilized in a client's portfolio provide diversification benefits and be accessible at reasonable costs. TFO also creates portfolios that are diversified *within* each asset class, as TFO believes the competitive nature of financial markets makes it extremely difficult to repeatedly identify the best-performing securities in advance.
4. **Fees and taxes are important and controllable.** There are many aspects of the financial markets that investors and advisors do not control, but fees and taxes are two controllable factors that can have a significant influence on one's wealth. As such, TFO attempts to design portfolios to be low-cost and tax-efficient in nature.
5. **Discipline is valuable.** TFO believes that investors' emotions often cause them to make inappropriate investment decisions, and that investors can increase the odds of achieving their goals if they follow a disciplined approach. TFO's approach includes structuring a portfolio based on the client's specific goals and objectives and then systematically rebalancing back to the intended target weights for each asset class on a regular basis. This rebalancing, while sometimes emotionally challenging, ensures that the portfolio remains aligned with the client's objectives, despite what might be occurring in the financial markets.

In constructing client portfolios, TFO primarily utilizes no-load mutual funds, exchange traded funds (ETFs), and managed accounts of individual equities/bonds managed by third-party advisers.

**Mutual Funds and Exchange Traded Funds:** Mutual Funds and Exchange Traded Funds (ETFs) are professionally managed collective investment systems that pool money from many investors and invest in stocks, bonds, short-term money market instruments, other mutual funds, other securities or any combination thereof. The fund will have a manager that trades the fund's investments in accordance with the fund's investment objective. While mutual funds and ETFs generally provide diversification, risks can be significantly increased if the fund is concentrated in a particular sector of the market, primarily invests in small cap or speculative companies, uses leverage (i.e., borrows money) to a significant degree, or concentrates in a particular type of security (i.e., equities) rather than balancing the fund with different types of securities. Exchange traded funds differ from mutual funds since they can be bought and sold throughout the day like stock and their price can fluctuate throughout the day. The returns on mutual funds and ETFs can be reduced by the costs to manage the funds. Also, while some mutual funds are "no load" and charge no fee to buy into, or sell out of, the fund, other types of mutual funds do charge such fees which can also reduce returns. Mutual funds can also be "closed end" or "open end". So-called "open end" mutual funds continue to allow in new investors indefinitely which can dilute other investors' interests.

TFO recommends mutual funds offered by Dimensional Fund Advisors (DFA) and Vanguard, among other mutual fund companies. Some mutual funds, such as those offered by DFA are available for investment only by clients of registered investment advisers, and all investments are subject to the approval of the adviser. This means that you may not be able to make additional investments in these types of funds if you terminate your agreement with TFO, except through another adviser authorized by these mutual fund companies.

**Stocks:** There are numerous ways of measuring the risk of equity securities (also known simply as "equities" or "stock"). In very broad terms, the value of a stock depends on the financial health of the company issuing it. However, stock prices can be affected by many other factors including, but not limited to: the class of stock (for example, preferred or common); the health of the market sector of the issuing company; and, the overall health of the economy. In general, larger, more well established companies ("large cap") tend to be safer than smaller start-up companies ("small cap") but the mere size of an issuer is not, by itself, an indicator of the safety of the investment.

**Bonds:** Corporate debt securities (or "bonds") are typically safer investments than equity securities, but their risk can also vary widely based on: the financial health of the issuer; the risk that the issuer might default; when the bond is set to mature; and, whether or not the bond can be "called" prior to maturity. When a bond is called, it may not be possible to replace it with a bond of equal character paying the same rate of return.

**Municipal Securities:** Municipal securities, while generally thought of as safe, can have significant risks associated with them including, but not limited to: the credit worthiness of the governmental entity that issues the bond; the stability of the revenue stream that is used to pay the interest to the bondholders; when the bond is due to mature; and, whether or not the bond can be "called" prior to maturity. When a bond is called, it may not be possible to replace it with a bond of equal character paying the same amount of interest or yield to maturity.

### **Risk of Loss**

All investment securities have a risk of loss and, as such, no assumption should be made about the future performance of any specific investment strategy. TFO does not attempt to forecast future returns of the financial markets, or guarantee the approach will be successful in achieving a client's specific financial goals. TFO attempts to help clients understand the inherent risks involved in the financial markets and design a portfolio that meets their specific objectives. This includes identifying groups of less-volatile "defensive" securities (such as high-quality fixed income of short/intermediate-term

duration) and more-volatile "growth" securities (such as global equities, real estate, commodity futures, etc.) and blending these groups together based on each client's goals and risk tolerance. Past performance is in no way an indication of future performance.

## **Item 9 Disciplinary Information**

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's evaluation of TFO or the integrity of TFO's management. TFO has no information applicable to this Item.

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

In addition to investment advisory services, TFO also provides the following services to clients. These services can be provided individually or in combination, for additional fees as agreed upon with a client and based upon the TFO advisory services provided:

- Multigenerational wealth planning;
- Income tax preparation and planning;
- Estate planning;
- Financial planning;
- Financial education for family members;
- Family governance consulting;
- Philanthropic consulting (private and public foundations);
- Coordination of outside professionals;
- Insurance analysis;
- Record keeping and reporting;
- Trustee administration services;
- Business succession planning.

### **Tax Compliance and Consulting Services**

TFO is also engaged in tax compliance and consulting services. These services include, but are not limited to, tax planning, tax consulting and tax return preparation. These services can be provided individually or in combination for additional fees as agreed upon with a client and based upon the TFO advisory services provided.

### **Affiliated Law Firm - Husch Blackwell, LLP**

Christopher Erblich, in his individual capacity, is an attorney and Partner with the law firm of Husch Blackwell, LLP ("Husch"). Husch is a full-service law firm. TFO is controlled by Mr. Erblich, as trustee of two irrevocable trusts that are the shareholders of TFO. Certain other associated persons of TFO are also attorneys and employees at Husch.

Husch has recommended TFO to law firm clients in need of advisory services, and TFO has recommended Husch to advisory clients in need of legal services. Legal services provided by Husch are separate and distinct from the advisory services of TFO, and are provided for separate compensation agreed upon by Husch and the client. There are no referral fee arrangements or other financial arrangements between TFO and Husch for these recommendations. However, in certain circumstances, TFO utilizes and engages the legal services of Husch particularly for estate and retirement planning necessary for various TFO services. TFO may charge clients and compensate Husch based on its assistance. Husch, on behalf of its clients, may also engage TFO to provide tax, investment advisory and/or other family office related services. For such services, TFO may charge Husch, who in turn may charge the client.

Except as stated above, no TFO client is obligated to use Husch for any legal services, and no Husch client is obligated to use TFO for advisory services.

### **Affiliated Insurance Agencies & Licensed Insurance Agents**

#### **DelRisk, Inc. / BridgePoint Risk Management, LLC**

Christopher Erblich is trustee of a trust which has ownership in DelRisk, Inc., a holding company which holds interests in BridgePoint Risk Management, LLC ("BridgePoint"), a licensed property and casualty insurance agency providing personal and commercial insurance to individuals and businesses. The Trust for which Mr. Erblich is a Trustee that has ownership of DelRisk, Inc., may receive distributions from BridgePoint. Mr. Erblich serves on the Board of Directors for BridgePoint. Associated persons of TFO may recommend this licensed insurance entity for TFO's clients. In its separate insurance capacity, BridgePoint and its licensed individuals may receive separate, yet customary commission compensation. The implementation of any and all recommendations is solely at the discretion of the client and clients are not under any obligation to engage these individuals or entity when considering the implementation of recommendations. Clients should be aware that even though TFO's representatives may refer business to BridgePoint, the referring representatives nor TFO Phoenix receive any compensation for those referrals. As part of TFO's fiduciary duty, these individuals and the affiliated entity endeavor at all times to act in the best interests of clients.

### **Affiliated Investment Advisers**

#### **TFO-TDC, LLC**

Christopher Erblich, in his individual capacity, is affiliated with TFO-TDC, LLC, an SEC registered investment adviser (SEC File No: 801-62074 / CRD#124407). Mr. Erblich is a Member of TFO-TDC, LLC and as Trustee of a Trust that directly owns 50% of TFO-TDC, LLC. The advisory services provided by TFO-TDC, LLC are separate and distinct from the advisory services provided by and the fees charged by TFO. Except as stated below, no TFO client is obligated to use the advisory services of TFO-TDC, LLC, as no TFO-TDC, LLC advisory client is obligated to use the advisory services of TFO. TFO-TDC, LLC, on behalf of its clients, may engage TFO to advise and assist in matters regarding tax, Family Office services, family governance, family education, and philanthropy, as well as facilitate and organize family meetings, and for such services TFO may charge TFO-TDC, LLC, who in turn may charge the client.

TFO has a consulting agreement with TFO-TDC, LLC whereby TFO provides investment related consulting services to TFO-TDC, LLC including, but not limited to, participation on TFO-TDC's investment committee.

In some cases, Investment Adviser Representatives of TFO-TDC, LLC may also be Investment Adviser Representatives of TFO. The possibility exists that TFO-TDC, LLC and TFO may independently yet contemporaneously purchase or sell the same securities for their respective clients.

In such cases, orders which are placed first for clients with each respective firm may receive a better price than those received by clients for whom orders are placed after those which are traded first. TFO has addressed this potential conflict by accounting for its investment policy whereby it generally does not purchase or sell securities for its clients on a firm wide basis and investment decisions and recommendations are typically handled on a client by client basis based on individual client circumstances. In addition, investment decisions and recommendations made by TFO are separate and distinct from investment decisions and recommendations made by TFO-TDC, LLC. Therefore, TFO believes better pricing received by any client of each respective firm would be dictated by market forces and not as a result of any priority placement of orders.

### **Affiliated Trust Company**

PandoTree Trust Company, LLC ("Pando") is a trust company affiliated with TFO Phoenix through common control and ownership. Pando is 100% owned by Pando Holdings, LLC, a holding company. Pando Holdings, LLC is owned 50% by TFO-TDC, LLC and 50% by TFO Phoenix, Inc. Certain associated persons of TFO Phoenix are Officers, Managers or Directors with Pando. Pando provides trust and custody services to individuals, businesses, and charitable organizations that may also be clients of TFO Phoenix. TFO Phoenix provides investment advisory services to Pando. There is a conflict of interest where Pando recommends the services of TFO Phoenix and where TFO Phoenix recommends the services of Pando in that the firms have an incentive to recommend the affiliated firm over other non-affiliated firms. TFO Phoenix believes this affiliation helps the firm and Pando provide more integrated services to our clients. Clients are under no obligation to use Pando's services.

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

TFO has adopted a Code of Ethics expressing the firm's commitment to ethical conduct. TFO's Code of Ethics describes the firm's fiduciary duties and responsibilities to clients and sets forth TFO's practice of supervising the personal securities transactions of employees with access to client information. Individuals associated with TFO buys or sells securities for their personal accounts identical or different than those recommended to clients. It is the expressed policy of TFO that no person employed by the firm shall prefer his or her own interest to that of an advisory client or make personal investment decisions based on investment decisions of advisory clients, to the detriment of the client.

To supervise compliance with its Code of Ethics, TFO requires that anyone associated with this advisory practice with access to advisory recommendations provide periodic reports of personal securities transactions to the firm's Chief Compliance Officer. TFO also requires such access persons to receive approval from the Chief Compliance Officer prior to investing in any IPO's or private placements (limited offerings).

TFO's Code of Ethics further includes the firm's policy prohibiting the use of material non-public information and protecting the confidentiality of client information. TFO requires that all individuals must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices. Any individual not in observance of the above may be subject to discipline.

TFO will provide a complete copy of its Code of Ethics to any client or prospective client upon request.

## **Item 12 Brokerage Practices**

TFO does not maintain custody of clients' assets, although TFO will be deemed to have custody of assets if the clients give TFO authority to withdraw assets from their account(s) (see *Item 15 - Custody*, below). A client's assets must be maintained in an account at a "qualified custodian," generally a broker/dealer or bank.

TFO primarily recommends that clients use the brokerage and custodial services of Charles Schwab & Co., Inc. ("Schwab"), a registered broker-dealer, member SIPC, as the qualified custodian. In some cases, TFO also recommends the brokerage and custodial services of TD Ameritrade, Inc., member FINRA/SIPC/NFA. TFO is independently owned and operated and is not affiliated with Schwab, TD Ameritrade or any other custodian. Schwab or TD Ameritrade (collectively "the Custodians") will hold client assets in a brokerage account and buy and sell securities when TFO instructs them to do so.



While TFO typically recommends that clients use Schwab or TD Ameritrade as custodian/broker, clients will decide whether to do so and will open their account(s) by entering into an account agreement directly with them. Even though the account is maintained at the Custodians, TFO may use other brokers to execute transactions for your account utilizing the Custodians' Prime Brokerage Services (see "*Client's Brokerage and Custody Costs*" and Item 16 below); third-party portfolio managers who have discretion over client accounts can also use other brokers to execute trades for those accounts.

### **Client's Brokerage and Custody Costs**

For TFO client accounts that the Custodians maintain, the Custodians generally do not charge separately for custody services but are compensated by charging clients commissions, asset based pricing (a single periodic fee based on the value of certain assets in client's account) or other fees on trades that it executes or that settle client accounts. Schwab's commission rates applicable to TFO client accounts were initially negotiated based on TFO's then current level of activity at Schwab and as an incentive for continued growth with Schwab. In addition to commissions, Schwab charges the client a flat dollar amount as a "prime broker" or "trade away" fee for each trade that is executed by a different broker-dealer but where the securities bought or the funds from the securities sold are deposited (settled) into clients' Schwab account. These fees are in addition to the commissions or other compensation clients pay the executing broker-dealer.

### **Products and Services Available to TFO From the Custodians**

Schwab Advisor Services (formerly called Schwab Institutional) is Schwab's business serving independent investment advisory firms like TFO. Schwab Advisor Services and TD Ameritrade provide TFO and TFO's clients with access to institutional brokerage - trading, custody, reporting, and related services - many of which are not typically available to the Custodians' retail customers. The Custodians also make available various support services, including computer software and related systems support which allow TFO to better monitor client accounts maintained at the Custodians. Some of those services help TFO manage or administer clients' accounts, while others help TFO manage and grow its business. The Custodians' support services generally are available on an unsolicited basis (TFO does not have to request them) and at no charge to TFO.

**Services That Benefit Clients.** The Custodians' institutional brokerage services include access to a broad range of investment products, execution of securities transactions, access to a trading desk and electronic communications network for order entry and account information and custody of client assets. The investment products available through the Custodians include some to which TFO might not otherwise have access or that would require a significantly higher minimum initial investment by TFO clients. The services described in this paragraph generally benefit clients and client accounts.

**Services That May Not Directly Benefit Clients.** The Custodians also make available to TFO other products and services that benefit TFO but may not directly benefit clients or client accounts. These products and services assist TFO in managing and administering client accounts. These services include investment research, both the Custodians' own and that of third parties. TFO uses this research to service all or a substantial number of TFO client accounts, including accounts not maintained at the Custodians. In addition to investment research, the Custodians also make available software and other technology that:

- Provides access to client account data (such as duplicate trade confirmations and account statements);
- Facilitates trade execution and allocate aggregated trade orders for multiple client accounts;
- Provides pricing and other market data;
- Facilitates payment of TFO's fees from clients' accounts;
- Assists with back-office functions, recordkeeping, and client reporting services that generally

benefit only TFO.

**Services That Generally Benefit Only TFO.** Consistent with the Custodians' regular business practices for advisors on their institutional platform, the Custodians also offer other services intended to help TFO manage and further develop TFO's business enterprise. These services include:

- Educational conferences and events;
- Consulting on technology, compliance, legal, and business needs;
- Publications and conferences on practice management and business succession;
- Access to employee benefits providers, human capital consultants, and insurance providers.

The Custodians provide some of these services themselves. In other cases, they provide TFO with payment to be used towards such services or will arrange for third-party vendors to provide the services to TFO. The Custodians also discount or waive their fees for some of these services or pay all or a part of a third party's fees. Schwab also provides TFO with other benefits, such as occasional business entertainment of TFO personnel and assistance towards marketing related expenses.

#### **TFO's Interest in the Custodians' Services**

The availability of these services from the Custodians benefits TFO because TFO does not have to produce or purchase them. TFO believes that selection of Schwab and/or TD Ameritrade as custodian and broker is in the best interests of the client. TFO's selection is primarily supported by the scope, quality, and price of the Custodians' services and not services that benefit only TFO. Clients should be aware that TFO's receipt of economic benefits from the Custodians creates a potential conflict of interest since these benefits may influence TFO's recommendation of one broker-dealer over another that does not furnish similar software, systems support, or services.

TFO believes that Schwab and TD Ameritrade provide quality services at competitive rates. Price is not the sole factor that TFO considers in evaluating best execution. TFO also considers the quality of the brokerage and custodial services provided, including the value of research provided, the firm's reputation, execution capabilities, commission rates, and responsiveness to clients and TFO. In recognition of the value of research services and additional brokerage products and services TFO receives from broker-dealers/custodians, the client may pay higher commissions and/or trading costs than those that may be available elsewhere.

Certain custodians' transaction charges may be in the form of asset-based fees in lieu of per transaction fees. These charges and fees are imposed by the broker-dealer or custodian through whom client account transactions are executed and are not paid by or to TFO. The benefits of asset-based in lieu of per transaction pricing generally depends on the number of transactions likely to be generated in the client account. For example, asset-based pricing may not be suitable for accounts with little trading activity. In order to evaluate whether asset-based pricing is suitable for clients, clients should compare the asset-based transaction fee with the amount that would be charged by the custodian on a per transaction basis. TFO will evaluate the transaction activity, and/or anticipated transaction activity to assist the client in determining whether asset-based transaction pricing is favorable for the client account.

#### **Brokerage for Client Referrals**

TFO does not have any arrangements to compensate any broker-dealer for client referrals.

#### **Directed Brokerage**

Many clients, when undertaking an advisory relationship, already have a pre-established relationship with a broker and they will instruct TFO to execute all transactions through that broker. In the event that a client directs TFO to use a particular broker-dealer, it is understood that under those



circumstances TFO will not have authority to negotiate commissions or to obtain volume discounts, and best execution may not be achieved. In addition, under these circumstances a disparity in commission charges can exist between the commissions charged to other clients. Thus, when directing TFO Phoenix to use a particular broker, clients should consider whether the commission expenses, execution, clearance, and settlement capabilities that they will obtain through their broker are adequately favorable in comparison to those that TFO Phoenix would otherwise obtain for them.

### **Retirement Plan Services**

TFO does not arrange for the execution of securities transactions for 401k plans as a part of this service. Transactions are executed directly through employee plan participation. TFO can, however, arrange for execution of securities transactions for certain plans custodied with Schwab.

### **Consulting Services**

TFO's consulting services does not include blocking trades, negotiating commissions with broker dealers or obtaining volume discounts, or necessarily obtaining the best price. Consulting clients will be required to select their own broker-dealers and insurance companies for the implementation of consulting recommendations. TFO can recommend any one of several brokers. TFO clients must independently evaluate these brokers before opening an account. The factors considered by TFO when making this recommendation are the broker's ability to provide professional services, TFO's experience with the broker, the broker's reputation, and the broker's financial strength, among other factors.

### **Block Trades**

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

Separate account managers, in the management of TFO client portfolios, may aggregate transactions among accounts that it manages, in which case a TFO client's orders may be aggregated with an order for another client of the separate account manager who is not a TFO client. If an independent third-party separate account manager is utilized, that manager may have different brokerage practices and the client should review the disclosure documents and agreements of the utilized separate account manager.

### **Trading Errors**

From time-to-time, TFO may make an error in submitting a trade order on behalf of clients. In these situations, where the client account experiences a loss, TFO's policy is to make the client whole. TFO will restore the client account to the position it should have been in had the trading error not occurred. Depending on the circumstances, corrective actions include canceling the trade, adjusting an allocation, and/or reimbursing the account. TFO will not be responsible for trade errors resulting from trades placed directly by the client.

#### *Trade Errors Resulting in Profits*

For accounts maintained at Schwab, if a profit results from the correcting trade, the profit will remain in the client's account unless either 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 TFO confers with the client and the client decides to forego the gain (e.g., due to tax reasons). If the profit does not remain in the client account, Schwab donates gains of \$100 or more to charity and if a loss occurs greater than

\$100, TFO will pay for the loss. Schwab can retain gains of \$100 or less if they are not kept in the client's account, to offset administrative expenses. Generally, if related trade errors result in both gains and losses in the client account, they can be netted.

For accounts custodied at TD Ameritrade, as of April 1, 2014 if a profit results from correcting the trade, the client will not retain the profit as all net gains (positive error accounts balances resulting from trade corrections) will be moved to a TD Ameritrade error account and subsequently donated to charity.

## **Item 13 Review of Accounts**

### **Reviews**

#### **Investment Management Services**

Account assets are regularly supervised and reviewed by an Investment Advisor Representative of TFO. The review process contains each of the following elements:

- assessing client goals and objectives;
- evaluating the employed strategy(ies);
- monitoring the portfolio(s); and
- addressing the need to rebalance.

Additional account reviews may be triggered by any of the following events:

- a specific client request;
- a change in client goals and objectives;
- an imbalance in a portfolio asset allocation;
- market/economic conditions; and e. realizing tax losses in an account.

For certain portions of the client's portfolio, additional account review responsibilities are delegated to a third party investment manager. TFO monitors all selected separate account managers utilized by TFO.

Family Office clients also receive additional reviews based on client specific factors and request.

#### **Retirement Plan Services**

Retirement plan assets are reviewed no more than quarterly and according to the standards and situations described above for investment management accounts.

#### **Consulting Services**

These client accounts will be reviewed as contracted for at the inception of the advisory relationship.

### **Reports**

Typically, investment management clients will receive quarterly performance reports that summarize the client's account and asset allocation. Clients will also receive quarterly statements from their account custodian, which will outline the client's current positions and current market value.

Family Office clients also receive additional reports depending on a client's particular service arrangement and requirements. TFO Family Office reporting may include: net worth summary (asset/liability summary), taxable income detail and cash flow analysis.

## Item 14 Client Referrals and Other Compensation

### Client Referrals

From time to time, TFO compensates either directly or indirectly, any person (defined as a natural person or a company) for client referrals. Such persons will usually be compensated according to a percentage of advisory fees generated by the referred client. Clients should understand that these persons have an economic incentive to recommend the advisory services of TFO. TFO is aware of the special considerations promulgated under Section 206(4)-3 of the Investment Advisers Act of 1940 and similar state regulations. As such, appropriate disclosure shall be made, all written instruments will be maintained by TFO and all applicable Federal and/or State laws will be observed.

### Other Compensation

TFO receives an economic benefit from Schwab, TD Ameritrade and Pershing in the form of the support products and services they make available to TFO and other independent investment advisors whose clients maintain their accounts at Schwab, TD Ameritrade and Pershing. These products and services, how they benefit TFO, and the related conflicts of interest are described above (see *Item 12 - Brokerage Practices*). The availability to TFO of Schwab, TD Ameritrade or Pershing's products and services is not based on TFO giving particular investment advice, such as buying particular securities for TFO clients and TFO clients do not pay more for investment transactions effected by these firms as a result of this arrangement.

TFO also receives software made available by one or more investment management firms, including Dimensional Fund Advisors, which it uses to assist in research and the construction of client portfolios. Dimensional Fund Advisors may also occasionally provide TFO with other benefits, such as business entertainment of TFO personnel and assistance towards marketing related expenses. TFO employees also occasionally attend conferences made available by investment management firms to enhance the employee's knowledge and allow TFO to improve its services to clients.

## Item 15 Custody

As paying agent for TFO, the independent custodian can directly debit client account(s) for the payment of TFO advisory fees. The ability to deduct TFO advisory fees from client accounts causes TFO to exercise limited custody over client funds or securities.

In addition, certain associated persons of TFO serve as trustee on some accounts for which TFO provides investment advisory services. Their capacity as trustee gives them custody over such accounts. TFO also has been granted standing authority from certain clients to make transfers from their accounts to third parties, and as a result, TFO is deemed to have custody over these client assets. Additionally, due to our affiliation with PandoTree Trust Company, we are considered to have custody over client accounts serviced by PandoTree Trust Company.

Accounts where TFO associated persons serve as trustee and client accounts serviced by PandoTree Trust Company are subject to an annual surprise examination by an independent CPA.

TFO may effect wire transfers from client accounts to one or more third parties designated, in writing, by the client without obtaining written client consent for each separate, individual transaction as long as the client has provided TFO with written authorization to do so. Such written authorization is known as a Standing Letter of Authorization. An adviser with authority to conduct such third party wire transfers has access to the client's assets, and therefore has custody of the clients assets in any related accounts.

However, TFO does not have to obtain a surprise annual audit with respect to these accounts, as TFO otherwise would be required to by reason of having custody, as long as TFO meets the following criteria:

1. You provide a written, signed instruction to the qualified custodian that includes the third party's name and address or account number at a custodian;
2. You authorize us in writing to direct transfers to the third party either on a specified schedule or from time to time;
3. Your qualified custodian verifies your authorization (e.g., signature review) and provides a transfer of funds notice to you promptly after each transfer;
4. You can terminate or change the instruction;
5. We have no authority or ability to designate or change the identity of the third party, the address, or any other information about the third party;
6. We maintain records showing that the third party is not a related party to us nor located at the same address as us; and
7. Your qualified custodian sends you, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.

We hereby confirm that we meet the above criteria.

TFO does not have physical custody of any client funds and/or securities. Client funds and securities will be held with a bank, broker-dealer, or other independent, qualified custodian.

Clients will receive account statements from the independent, qualified custodian(s) holding the client's funds and securities at least quarterly. The account statements from the custodian(s) will indicate the amount of TFO's advisory fees deducted from the client's account(s) each billing period.

Clients should carefully review account statements for accuracy and should compare any statements TFO provides to the client with the statements from the account custodian(s) to reconcile the information reflected on each statement. If clients have a question regarding their account statement or if clients did not receive a statement from their custodian, please contact TFO directly at the telephone number on the cover page of this brochure.

## **Item 16 Investment Discretion**

TFO requests discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. This authority may include the discretion to retain a separate account manager. In addition, for certain separately managed accounts, TFO will enter into a tri-party agreement with the client and separate account manager. Any limitations on this discretionary authority shall be included in this written authority statement. Clients can change/amend these limitations as required. Such amendments shall be submitted in writing.

When selecting securities and determining amounts, TFO observes the investment policies, limitations and restrictions of the clients for which it advises. Investment guidelines and restrictions must be provided to TFO in writing.

TFO generally will not exercise authority to arrange client transactions in individual fixed income or equity securities. Clients will generally provide this authority to a fixed income/equity manager retained by TFO on client's behalf by designating the portfolio manager with trading authority over client's brokerage account. Clients will be provided with the Disclosure Brochure (Form ADV Part 2) of the portfolio manager.

## **Item 17 Voting Client Securities**

Proxy Voting: As a matter of firm policy and practice, TFO does not accept the authority to and does not vote proxies on behalf of advisory clients. Where a third party money manager is utilized, that manager will have the authority and responsibility of voting proxies. In other situations, clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. Clients will receive applicable proxies directly from their account custodian or issuer of securities held in clients' investment portfolios. In certain circumstances, however, TFO will provide advice to clients regarding the clients' voting of proxies.

Class Action Lawsuits:

TFO has entered into an arrangement with an independent third party service provider whereby the service provider will file claims and other necessary documents on behalf of clients who hold securities in their investment management accounts which are the subject of class action legal proceedings. The service provider will retain a pre-determined portion of any recovery obtained for the clients. Clients may opt out of this service if they do not want to participate. TFO does not receive any portion of any recovery or charge any extra fee to clients for this service.

## **Item 18 Financial Information**

Registered investment advisers are required in this Item to provide clients with certain financial information or disclosures about TFO's financial condition. TFO has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.