



**EMBREE FINANCIAL Group**  
**Part 2A of Form ADV: Firm Brochure**  
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This brochure provides information about the qualifications and business practices of EMBREE FINANCIAL GROUP. If you have any questions about the contents of this brochure, please contact Paul M Embree, of EMBREE FINANCIAL GROUP, at phone number (312) 527-5565, or via email at [pembree@embreefinancial.com](mailto:pembree@embreefinancial.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Additional information about EMBREE FINANCIAL GROUP is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). References to EMBREE FINANCIAL GROUP as a "registered investment advisor" or descriptions of being "registered" does not imply a certain level of skill or training.

## Material Changes

The Material Changes section of this brochure will be updated annually when material changes occur since the previous release of the Firm Brochure.

The U.S. Securities and Exchange Commission issued a final rule in July 2010 requiring advisers to provide a Firm Brochure in narrative “plain English” format. The new final rule specifies mandatory sections and organization.

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## Advisory Business

EMBREE FINANCIAL GROUP was founded in 1994 to provide holistic, fee-based financial planning, investment management and retirement plan consulting to both individuals and institutions. Paul M. Embree is the Principle Owner and owns 100% of EMBREE FINANCIAL GROUP. EMBREE FINANCIAL GROUP is a Registered Investment Advisor.

EMBREE FINANCIAL GROUP provides investment supervisory services, such as financial planning, retirement planning, discretionary investment management, ongoing portfolio reporting, including statements and portfolio analytics. The firm also advises clients on matters not involving securities, such as cash flow analysis, taxation, education funding, trust structure, and insurance. As of December 31, 2012, EMBREE FINANCIAL GROUP manages approximately \$350,000,000 for 200 high net worth and institutional clients. Roughly half the assets are discretionary and the other half non-discretionary.

Wealth Management service is provided through consultation with clients, which may include the following: determination of financial objectives, identifying financial challenges, cash flow management, tax planning, insurance review, investment management, education funding, retirement planning, and estate planning. EMBREE FINANCIAL GROUP does not act as a custodian of client assets. The client always maintains asset control via direct relationship with a financial institution (custodian) such as Charles Schwab & Co., Fidelity, or TD Ameritrade.

The Retirement Plan Services division of EMBREE FINANCIAL GROUP provides core consulting services to both public and private corporations offering defined benefit and defined contribution plans to their employees. The range of services provided by EMBREE FINANCIAL GROUP to its retirement plan clients includes plan governance and fiduciary oversight, Investment Policy Statements, regular

plan level reviews, ongoing investment selections and management, employee education and advice, and quarterly participant communication.

EMBREE FINANCIAL GROUP specializes in creating customized investment strategies that reflect each client's goals. These goals and objectives are documented in our client relationship management system. Investment Policy Statements are created that reflect those stated goals and objectives. A client may place restrictions on the strategies to be used in their portfolio, and the characteristics of assets to be held in their portfolio.

EMBREE FINANCIAL GROUP makes investment decisions for clients as a fiduciary, with limited power of attorney. Other professionals (e.g., lawyers, accountants, insurance agents, etc.) are engaged directly by the client on an as-needed basis. Conflicts of interest will be disclosed to the client in the unlikely event they should occur.

The initial meeting, which may be by telephone, is free of charge and is considered an exploratory interview to determine the extent to which financial planning and investment management may be beneficial to the client.

## Fees and Compensation

EMBREE FINANCIAL GROUP bases its fees on a percentage of assets under management, hourly charges, fixed fees (not including subscription fees), and commissions. Financial plans are priced according to the degree of complexity associated with the client's situation and amount of time required to service the client in a high quality manner. Although most commissions are fixed, ongoing management fees are *NEGOTIABLE* based on factors highlighted above.

Investment management fees are billed quarterly, in *ADVANCE*. Invoices are sent and fees are deducted at the beginning of the three month period for which the work is to be done. Payment in full is expected upon invoice

presentation. Fees are usually deducted from designated client account(s) to facilitate billing. The client must consent in advance to direct debiting of their investment account.

A customary schedule for wealth management clients would be as follows:

|                       |       |
|-----------------------|-------|
| \$0-\$749,999         | 1.00% |
| \$750,000-\$1,499,999 | 0.75% |
| \$1,500,000 and above | 0.50% |

This schedule encompasses the broad scope of services and holistic approach provided by EMBREE FINANCIAL GROUP. At times, the firm will charge extra for financial planning, depending on the complexity of the case and amount of time required to produce the desired output. Although a fee schedule is employed in most cases, fees may be negotiated based on level of services provided and amount of assets involved. In some circumstances, a *Retainer Agreement* is executed in lieu of an *Advisory Service Agreement* when it is more appropriate to work on a fixed-fee basis for a limited period of time. Fees for retainer services are **NEGOTIABLE**.

**Incentive Fees:** In some cases clients may request an incentive fee structure for their account. In such cases, EMBREE FINANCIAL GROUP will provide the client with options and customize an incentive fee structure in line with the client's wishes. EMBREE FINANCIAL GROUP will only engage in an incentive fee relationship with the client if the client meets the following requirements:

1. The client has \$750,000 or more under management at EMBREE FINANCIAL GROUP, or;
2. If the client has a net worth of more than \$1,500,000 at the time the relationship is entered into.

Fees charged for Retirement Plan Services are customized for each plan and may vary depending on complexity and level of services provided. Fees may be asset-based, paid

entirely by participants, flat fee-based, paid by plan sponsor, or a combination of the two. Most proposed fee schedules provide a menu of services available, include pricing, and allow the client to select what they choose to pay for.

Management fees are typically debited from client accounts at the beginning of each quarter based upon the account's balance on the last day of the previous quarter. Management fees do not include transaction charges, which are incurred by the client.

EMBREE FINANCIAL GROUP, at its sole discretion, may waive its minimum fee and/or charge a lesser investment advisory fee based upon certain criteria (e.g., historical relationship, type of assets, anticipated future earning capacity, anticipated future additional assets, dollar amounts of assets to be managed, related accounts, account composition, negotiations with clients, etc.).

Any client of EMBREE FINANCIAL GROUP who wishes to terminate service provided by the Applicant may do so at any time. Written notification of the termination is requested but not required. Any termination of managed accounts is subject to the quarterly fee, in effect at the time of cancellation. Clients have the right to terminate the service contract without penalty within five (5) business days after entering into this agreement.

Custodians such as Charles Schwab, Fidelity, or TD Ameritrade may charge transaction fees on purchases or sales of certain mutual funds and exchange-traded funds. These transaction charges are usually small and incidental to the purchase or sale of a security. The selection of the security is more important than the nominal fee that the custodian charges to buy or sell the security.

Mutual funds generally charge a management fee for their services as investment managers. The management fee is called an expense ratio. For example, an expense ratio of 0.50 means that the mutual fund company charges one half of one percent (0.5%) for their services. These fees

are in addition to the ongoing fees paid to EMBREE FINANCIAL GROUP.

Performance figures quoted by mutual fund companies in various publications are after their fees have been deducted.

EMBREE FINANCIAL GROUP reserves the right to stop work on any account that is more than 120 days overdue. In addition, EMBREE FINANCIAL GROUP reserves the right to terminate any financial planning engagement where a client has willfully or purposely concealed information relevant to their financial situation.

Fees charged by EMBREE FINANCIAL GROUP are asset-based, not performance-based, because clients are better served with this structure. In a rare case where a client prefers a performance-based structure, such an arrangement will be negotiated directly and properly documented.

## Types of Clients

EMBREE FINANCIAL GROUP generally provides investment advice to individuals/families, banks or thrift institutions, investment companies, pension and profit sharing plans, trusts, estates, or charitable organizations, corporations or business entities.

Client relationships vary in scope and length of service. Generally speaking, EMBREE FINANCIAL GROUP account minimums are \$500,000 of investible assets, which typically equates to an annual fee of \$5,000, although in certain cases this minimum is waived.

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

Investment and securities analysis includes fundamental analysis, technical analysis, and cyclical analysis.

*Fundamental analysis* is a method of equity analysis regarding a company's underlying earnings, expenses, assets and liabilities. This value is then compared to the current price of

the company's security to determine whether to purchase, sell or hold the security.

*Technical analysis* is a form of statistical analysis surrounding market activity, such as past prices and trading volumes. Technical analysis is not attempting to measure a security's current value, but instead it seeks to identify patterns that can predict future activity for that security.

*Cyclical analysis* is a form of fundamental analysis that bases investment decisions on the different stages of an economic cycle and the potential strength of that industry at a given time.

EMBREE FINANCIAL GROUP employs numerous tools and sources to conduct these analyses, including advanced performance metrics, corporate filings, performance modeling software, corporate rating services, timing services, annual reports, prospectuses, filings with the Securities and Exchange Commission, and company press releases.

Additionally, investment opinions and positions are formed through the ongoing education, information analysis, and unique market scrutiny of the EMBREE FINANCIAL GROUP team. The EMBREE FINANCIAL GROUP team constantly evaluates the markets in a distinct fashion, producing inimitable data and outlooks aimed at better serving the firm's clients.

Other sources include Morningstar, Charles Schwab & Company, Bloomberg and numerous other online information providers.

Assets are invested primarily in no-load mutual funds, exchange-traded funds and individual securities. Additionally, when appropriate, EMBREE FINANCIAL GROUP will work with the client to invest in limited partnerships for alternative investments such as hedge funds, private equity, and real estate.

Security types may include, but are not limited to, the following: equities (stocks), warrants, corporate debt securities, commercial paper, certificates of deposit, municipal securities, investment company securities (i.e., mutual



funds), U. S. government securities, corporate bonds, options contracts, futures contracts, and interests in partnerships. Initial public offerings (IPOs) are not available through EMBREE FINANCIAL GROUP.

Clients should be advised that all investments involve risk of loss which includes loss of principle and a reduction in earnings. Additionally, investors face the following risks:

- Interest rate risk
- Market risk
- Inflation risk
- Currency risk
- Reinvestment risk
- Business risk
- Liquidity risk
- Financial risk

EMBREE FINANCIAL GROUP manages each portfolio in a manner consistent with its appropriate level of risk, as determined by the client.

## **Disciplinary Information**

EMBREE FINANCIAL GROUP has not been involved in legal or disciplinary events related to past or present investments clients.

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

EMBREE FINANCIAL GROUP is a Registered Investment Advisor.

EMBREE FINANCIAL GROUP has arrangements with other entities or individuals that may be material to its clients. These arrangements may be with, but not limited to, the following: a broker-dealer, investment company, another investment advisor, financial planning firm, commodity pool operator, commodity trading adviser or futures commission merchant, banking or thrift institution, accounting firm, law firm, insurance

company or agency, pension consultant, real estate broker or dealer, or an entity that creates or packages limited partnerships.

Such arrangements may exist for the purpose of client introductions or investment opportunities. When such arrangements involve compensation to or from the affiliate or related person(s), proper disclosure will be provided to the client.

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

EMBREE FINANCIAL GROUP has adopted a Code of Ethics that directs staff conduct. The Code of Ethics is centered on fiduciary responsibility to clients, staff security transactions, and conflicts of interest. The Code of Ethics includes the following principles:

- Above all, EMBREE FINANCIAL GROUP's duty is to place the interests of clients first
- That staff securities transactions be conducted in a manner that avoids any actual or potential conflicts of interest, inside positions, or abuse of trust and responsibility to the client
- That information concerning a client's financial interests, personal information, and security holdings be kept confidential and secure

The Code of Ethics is available for review by clients and prospective clients upon request.

EMBREE FINANCIAL GROUP and its employees may buy or sell securities that are also held by clients. Employees may not trade their own securities ahead of client trades. Employees comply with the provisions of the EMBREE FINANCIAL GROUP *Compliance Manual*.

The Chief Compliance Officer of EMBREE FINANCIAL GROUP is Paul M. Embree. He reviews all employee investments. His investments are reviewed by the firm's Chief

Operations Officer. The personal investment reviews ensure that the personal trading of employees does not affect the markets or impact clients, and that clients of the firm receive preferential treatment. Because most employee investments are small mutual fund transactions, large capitalization stocks or exchange-traded funds, they do not affect the securities markets or client accounts in any way.

## Brokerage Practices

EMBREE FINANCIAL GROUP does not have direct affiliation with any product sales firms other than for the purpose of accessing investment opportunities. Specific custodian recommendations are made to clients based on their need for investment flexibility, cost effectiveness, financial strength, quality of execution and operational excellence. EMBREE FINANCIAL GROUP recommends discount brokerage firms and trust companies (qualified custodians), such as Charles Schwab & Co., Fidelity and TD Ameritrade. EMBREE FINANCIAL GROUP is an institutional advisor with Charles Schwab & Co., and custodies the bulk of its wealth management client assets with the firm. EMBREE FINANCIAL GROUP *DOES NOT* receive fees or commissions from any custodian.

EMBREE FINANCIAL GROUP regularly reviews the execution of trades at each custodian, their financial strength, and their firm's reputation. The review is documented in the EMBREE FINANCIAL GROUP *Compliance Manual*. Transaction fees charged by the custodians are also reviewed. EMBREE FINANCIAL GROUP does not receive any portion of the trading fees.

Most investments made on a client's behalf are made for them individually. However, at times investments/trades may be aggregated for the sake of efficiency. Trade aggregation in individual securities ensures that all clients receive the same price, otherwise, with respect to mutual funds or exchange-traded funds,

client(s) do not garner any benefit from trade aggregation.

## Review of Accounts

Account reviews are performed periodically with clients, as often as quarterly with some, and more often at least annually. Reviews may be more or less frequent, depending on market conditions, and are conducted either by phone or in person. Paul M. Embree, President, Matt Stadler, Senior Investment Advisor, and Benjamin T. Olson, Investment Analyst and Retirement Plan Specialist conduct client reviews.

Other conditions that may trigger a review are changes in tax laws, changes in the client's financial, marital or employment status, or any other factors that may impact the client's financial situation.

Wealth Management clients receive monthly account statements from custodians. In addition, EMBREE FINANCIAL GROUP provides clients that meet a minimum requirement with supplementary customized statements on a quarterly basis. For reviews, statements are compiled with detailed portfolio analytics to facilitate discussion and provide clients with a deeper understanding of their portfolio's risk and return characteristics. Additional reports that pertain to a client's specific objectives may also be provided, such as retirement planning, net worth, or educational spending.

## Client Referrals and Other Compensation

EMBREE FINANCIAL GROUP has been fortunate to receive many client referrals over the years. The referrals came from current clients, personal friends and family, attorneys, accountants and other similar sources.

In cases where the referring party is an affiliated person(s), some form of compensation may be

involved. Any form of such compensation will be documented and disclosed to the client.

EMBREE FINANCIAL GROUP does not accept referral fees or any form of remuneration from other professionals when a prospect or client is referred to them.

## **Custody**

As mentioned earlier, client assets are typically held at qualified custodians, such as Charles Schwab, TD Ameritrade, or Fidelity. The custodians provide detailed monthly account statements directly to clients at the client's address of record. Additionally, custodians provide the ability for clients to access account information online.

Corporate retirement plan participants receive quarterly statements from plan record keepers and can access their account information online at any time.

Clients are urged to compare the account statements received directly from their custodians to the quarterly performance report statements provided by EMBREE FINANCIAL GROUP.

## **Investment Discretion**

EMBREE FINANCIAL GROUP accepts discretionary authority to manage securities accounts on behalf of clients, and to do so in a manner that is consistent with the client's stated goals and objectives. The firm and its advisors have the authority to determine, without obtaining specific client consent, the securities to be bought or sold, and the amount of the securities to be bought or sold.

A Limited Power of Attorney (LPOA) provides EMBREE FINANCIAL GROUP with the authority to make investments for clients on a discretionary basis. Discretionary trading authority facilitates placing trades in client accounts in a timely manner.

## **Voting Proxy Statements for Client Owned Securities**

Unless the client designates otherwise, EMBREE FINANCIAL GROUP votes proxies for securities over which it maintains discretionary authority consistent with its proxy voting policy. A copy of EMBREE FINANCIAL GROUP's proxy voting policy is available upon request.

## **Financial Information**

EMBREE FINANCIAL GROUP makes it a practice to adopt sound financial principles in managing its business. The firm does not have any financial impairment that will preclude the firm from meeting contractual commitments to clients.

EMBREE FINANCIAL GROUP is not required to provide a balance sheet because it does not serve as a custodian for client funds or securities, and does not require prepayment of fees of more than six months in advance.

## **Privacy Notice**

EMBREE FINANCIAL GROUP is committed to maintaining the confidentiality, integrity and security of the personal information that is entrusted to the firm. The firm collects nonpublic information about personal finances, health (to the extent that it is needed for insurance or financial planning), information about transactions with third parties, and/or credit reports from consumer reporting agencies. The firm compiles this information to assist clients in meeting financial goals.

With client permission, EMBREE FINANCIAL GROUP will disclose relevant personal client information to custodians in order to establish and maintain client accounts. On a more limited basis, the firm will provide information to attorneys, accountants, and mortgage lenders of the client's choosing to facilitate reporting or the execution of a transaction(s). The firm will not violate the contract of client confidentiality without explicit instructions from the client.



EMBREE FINANCIAL GROUP maintains a secure office to ensure that client information is not placed at unreasonable risk. The firm employs a firewall barrier, secure data encryption techniques and authentication procedures in its computer environment.

EMBREE FINANCIAL GROUP does not provide client information to mailing list vendors or solicitors. Strict confidentiality is required in agreements with unaffiliated third parties that require access to clients' personal information, including financial service companies, consultants, and auditors. Federal and state securities regulators may review Company records and personal records of clients as permitted by law.

Client information and records are securely maintained during the course of an ongoing relationship, and even for a period thereafter as may be required by federal and state securities laws.

Clients will be notified of any changes to the EMBREE FINANCIAL GROUP privacy policy. The firm is required by law to deliver this *Privacy Notice* to clients annually, in writing.