

**Part 2A of Form ADV: *Firm Brochure***

**The Putney Financial Group**

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03/22/2012

This brochure provides information about the qualifications and business practices of The Putney Financial Group. If you have any questions about the contents of this brochure, please contact us at (415) 460-1990. 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 The Putney Financial Group 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. Our firm's CRD number is 817645.

## Item 2 Material Changes

This Firm Brochure, dated 03/22/2012, provides you with a summary of The Putney Financial Group's advisory services and fees, professionals, certain business practices and policies, as well as actual or potential conflicts of interest, among other things. This Item is used to provide our clients with a summary of new and/or updated information; we will inform you of the revision(s) based on the nature of the information as follows.

1. Annual Update: We are required to update certain information at least annually, within 90 days of our firm's fiscal year end (FYE) of December 31. We will provide you with either a summary of the revised information with an offer to deliver the full revised Brochure within 120 days of our FYE, or we will provide you with our revised Brochure that will include a summary of those changes in this Item.
2. Material Changes: Should a material change in our operations occur, depending on its nature, we will promptly communicate this change to clients (and it will be summarized in this Item). "Material changes" requiring prompt notification will include changes of ownership or control; location; disciplinary proceedings; significant changes to our advisory services or advisory affiliates – any information that is critical to a client's full understanding of who we are, how to find us, and how we do business.

The following summarizes changes to the information previously provided in our Firm Brochure dated March 28, 2011:

- On March 22, 2012, firm associate Ray Lent completed study and successfully passed his Registered Principal exam (Series 24).
- On October 21, 2011, Ray Lent purchased 31.6% interest in Portsmouth Financial Services, Inc. A licensed Broker-Dealer and member of SIPC (Securities Investor Protection Corporation).
- Representatives of The Putney Financial Group, Ray Lent and Joe Niederkorn, participate as general partners in general partnerships named Placer Partners I-XII.
- On February 2, 2012, a split arbitration panel rendered a decision awarding \$23,000 to a former client.
- Effective August, 2010, firm associates Ray Lent and Joe Niederkorn became Registered Representatives of Portsmouth Financial Services.
- Firm associates Ray Lent and Joe Niederkorn successfully completed all firm and insurance industry continuing education requirements.
- Firm associate Ray Lent serves as trustee for three irrevocable life insurance trusts on behalf of three long-time clients. In his capacity as trustee, Ray has custody of client assets.

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#### **Item 4    Advisory Business**

Raymond L. Lent is an SEC-registered investment advisor with his principal place of business located in CA. Raymond L. Lent began conducting business in 1997.

Listed below are the firm's principal shareholders (i.e., those individuals and/or entities controlling 25% or more of this company).

- Raymond L Lent, Principal

The Putney Financial Group offers the following advisory services to our clients:

#### **INVESTMENT SUPERVISORY SERVICES ("ISS") INDIVIDUAL PORTFOLIO MANAGEMENT**

Our firm provides continuous advice to a client regarding the investment of client funds based on the individual needs of the client. Through personal discussions in which goals and objectives based on a client's particular circumstances are established, we develop a client's personal investment policy and create and manage a portfolio based on that policy. During our data-gathering process, we determine the client's individual objectives, time horizons, risk tolerance, and liquidity needs. When appropriate, we also review and discuss a client's prior investment history, as well as family composition and background.

We manage our advisory accounts on a discretionary or non-discretionary basis. Account supervision is guided by the client's stated objectives (i.e., maximum capital appreciation, growth, income, or growth and income), as well as tax considerations.

Clients may impose reasonable restrictions on investing in certain securities, types of securities, or industry sectors.

Our investment recommendations include the following:

- Exchange-listed securities
- Securities traded over-the-counter
- Corporate debt securities (other than commercial paper)
- Variable life insurance
- Variable annuities
- Mutual fund shares
- United States government securities
- Options contracts on securities
- Interests in partnerships investing in real estate or equipment leasing companies, both publicly and non publicly traded
- Interests in partnerships investing in numismatic material
- Exchange-traded funds
- Exchange-traded notes

- Municipal securities
- Certificates of deposit

Because some types of investments involve certain additional degrees of risk, they will only be implemented/recommended when consistent with the client's stated investment objectives, tolerance for risk, liquidity and suitability.

## FINANCIAL PLANNING

We provide financial planning services. Financial planning is a comprehensive evaluation of a client's current and future financial state by using currently known variables to predict future cash flows, asset values and withdrawal plans. Through the financial planning process, all questions, information and analysis are considered as they impact and are impacted by the entire financial and life situation of the client. Clients purchasing this service receive a written report which provides the client with a detailed financial plan designed to assist the client in achieving his or her financial goals and objectives.

In general, the financial plan can address any or all of the following areas:

- **PERSONAL:** We review family records, budgeting, personal liability, estate information and financial goals.
- **TAX & CASH FLOW:** We analyze the client's income tax and spending habits along with current and future cash flow requirements. Future projections are then illustrated based on assumed rates for portfolio returns, inflation and withdrawal rates. Projections for government benefits (e.g. Social Security) and private pension plans are included, if appropriate.
- **INVESTMENTS:** We analyze investment alternatives and their effect on the client's portfolio.
- **INSURANCE:** We review existing policies to ensure proper coverage for life, health, disability, and long-term care.
- **RETIREMENT:** We analyze current strategies and investment plans to help the client achieve his or her retirement goals. We will recommend appropriate modifications which, in our opinion, are necessary to achieve those goals.
- **DEATH & DISABILITY:** We review the client's cash needs at death, income needs of surviving dependents, estate planning and disability income.
- **ESTATE:** We assist the client in assessing and developing long-term strategies, including as appropriate, living trusts, wills, review estate tax, powers of attorney, asset protection plans, nursing homes, Medicaid and elder law. Additionally we help our clients develop strategies appropriate to meeting their philanthropic and legacy aspirations.

We gather required information through in-depth personal interviews. Information gathered includes the client's current financial status, tax status, future goals, returns objectives and attitudes towards risk. We carefully review documents supplied by the client, including a questionnaire completed by the client, and prepare a written report. Should the client choose to implement the recommendations contained in the plan, we suggest the client work closely with his/her attorney, accountant, insurance agent, and/or stockbroker. Implementation of financial plan recommendations is entirely at the client's discretion.

We also provide general non-securities advice on topics that may include tax and budgetary planning, estate planning and business planning.

- Exchange-listed securities
- Securities traded over-the-counter
- Corporate debt securities
- Variable life insurance
- Variable annuities
- Mutual fund shares
- United States government securities
- Options contracts on securities
- Interests in partnerships investing in real estate or equipment leasing companies, both publicly and non-publicly traded
- Interests in partnerships investing in numismatic material
- Exchange-traded funds
- Exchange-traded notes
- Municipal securities
- Certificates of deposit

Typically the financial plan is presented to the client within three months of the contract date, provided that all information needed to prepare the financial plan has been promptly provided.

Financial Planning recommendations are not limited to any specific product or service offered by a broker-dealer or insurance company. All recommendations are of a generic nature.

#### AMOUNT OF MANAGED ASSETS

As of 12/31/2011, we were actively managing \$113,328,424 of clients' assets on a discretionary basis plus \$2,355,466 of clients' assets on a non-discretionary basis, including managing clients' assets that are held by third party private pension plans.

## Item 5 Fees and Compensation

### INVESTMENT SUPERVISORY SERVICES ("ISS") INDIVIDUAL PORTFOLIO MANAGEMENT FEES

The annualized fees for Investment Supervisory Services are charged as a percentage of assets under management, according to the following schedule:

<u>Assets Under Management</u>	<u>Annual Fee</u>
\$1 - \$175,000	2%
\$175,001 - \$750,000	1.5%
\$750,001 - \$1.5 million	1.0%
\$1.5 million - \$3 million	0.85%
\$3 million - \$5 million	0.75%
Over \$5 million	negotiable

Accounts are aggregated in order to achieve the lowest fee tier. For example, if an account is worth \$750,000, the quarterly fee would be \$3,031.25. This is calculated as follows: the first \$175,000 is billed at 2% annually (\$875 quarterly), then the remaining amount of \$575,000 is billed at 1.5% annually (\$2,156.25).

Our fees are billed in arrears at the end of each calendar quarter based upon the value (market value or fair market value in the absence of market value), of the client's account at the end of the previous quarter. Fees will be debited from the account in accordance with the client authorization in the Agreement of Engagement.

A minimum of \$100,000 of assets under management is required for this service. This account size may be negotiable under certain circumstances. The Putney Financial Group may group certain related client accounts for the purposes of achieving the minimum account size and determining the annualized fee.

The Putney Financial Group's advisory fees are negotiable for accounts larger than \$5 million.

### FINANCIAL PLANNING FEES

The Putney Financial Group's financial planning fee is determined based on the nature of the services being provided and the complexity of each client's circumstances. All fees (either an hourly rate or fixed fee) are agreed upon prior to entering into a contract with any client.

Our financial planning fees are calculated and charged on an hourly basis, ranging from \$75 (support staff) to \$600 (for a senior planner) per hour. Although the length of time it will take to provide a financial plan will depend on each client's personal situation, we will provide an estimate for the total hours at the start of the advisory relationship.

Our financial planning fees are calculated and charged on a fixed fee basis, typically ranging from \$2,500 to \$12,500, depending on the specific arrangement reached with the client.

The client is billed quarterly in arrears based on actual hours accrued.

## GENERAL INFORMATION

**Termination of the Advisory Relationship:** A client agreement may be canceled at any time, by either party, for any reason upon receipt of 30 days written notice. Upon termination of any account, any accrued fees will be billed up to the business day prior to the date of termination notification.

**Mutual Fund Fees:** All fees paid to The Putney Financial Group for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds and/or ETFs to their shareholders. These fees and expenses are described in each fund's prospectus. These fees will generally include a management fee, other fund expenses, and a possible distribution fee. If the fund was purchased prior to working with The Putney Financial Group and imposes sales charges, a client may pay an initial or deferred sales charge. (If the fund is purchased inside a Putney Financial Group advisory account, it will be delivered at net asset value, free of any sales commission normally assessed by the fund.) A client could invest in a mutual fund directly, without our services. In that case, the client would not receive the services provided by our firm which are designed, among other things, to assist the client in determining which mutual fund or funds are most appropriate to each client's financial condition and objectives. Accordingly, the client should review both the fees charged by the funds and our fees to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided.

**Sales Commissions:** Firm associates Ray Lent and Joe Niederkorn maintain California life and health insurance licenses and can be compensated by insurance companies. In their capacity as Registered Representatives of Portsmouth Financial Services, Inc., advisors of The Putney Financial Group can receive compensation from Portsmouth for the sale of investment products, such as annuities and limited partnerships. No advisory fees will be charged on these products for the first twelve months. If, after the first twelve months, the advisory client elects to continue to receive investment advice on these accounts, fees will be calculated at a rate of 1% per year, or the tiered fee schedule, whichever is less.

**Wrap Fee Programs and Separately Managed Account Fees:** Clients participating in separately managed account programs may be charged various program fees in addition to the advisory fee charged by our firm. Such fees may include the investment advisory fees of the independent advisors, which may be charged as part of a wrap fee arrangement. In a wrap fee arrangement, clients pay a single fee for advisory, brokerage and custodial services. Client's portfolio transactions may be executed without commission charge in a wrap fee arrangement. In evaluating such an arrangement, the client should also consider that, depending upon the level of the wrap fee charged by the broker-dealer, the amount of portfolio activity in the client's account, and other factors, the wrap fee may or may not exceed the aggregate cost of such services if they were to be provided separately. We will review with clients any separate program fees that may be charged to clients.

**Additional Fees and Expenses:** In addition to advisory fees, clients are also responsible for the fees and expenses charged by custodians and imposed by broker dealers, including, but not limited to, any transaction charges imposed by a broker dealer with which an independent investment manager effects transactions for the client's account(s).

Firm associates Ray Lent and Joe Niederkorn serve as general partners of Placer Partners I-XII. Ray Lent receives a 1% administration fee in addition to his share of profits by means of his participation as a general partner. Clients who are also general partners are not charged a management fee other than the 1% administration fee paid by the partnership. This could create a potential conflict of interest as it diverts the advisor's time. Ray Lent, as Managing General Partner, observes and reports on the activities of the outside experts retained by the partnerships. These experts are Senior Numismatists who are outside independent third parties unrelated to The Putney Financial Group.

**Grandfathering of Minimum Account Requirements:** Pre-existing advisory clients are subject to The Putney Financial Group's minimum account requirements and advisory fees in effect at the time the client entered into the advisory relationship. Therefore, our firm's minimum account requirements will differ among clients.

**ERISA Accounts:** The Putney Financial Group is deemed to be a fiduciary to advisory clients that are employee benefit plans or individual retirement accounts (IRAs) pursuant to the Employee Retirement Income and Securities Act ("ERISA"), and regulations under the Internal Revenue Code of 1986 (the "Code"), respectively.



As such, our firm is subject to specific duties and obligations under ERISA and the Internal Revenue Code that include among other things, restrictions concerning certain forms of compensation. To avoid engaging in prohibited transactions, The Putney Financial Group does not charge fees for investment advice rendered on products for which the firm and/or our related persons received a commission. After the first twelve months, fees can be billed on these products calculated at a rate of 1% per year (or the tiered fee schedule, whichever is less) with client affirmative approval. The Putney Financial Group does not receive any 12b-1 fees.

*Advisory Fees in General:* Clients should note that similar advisory services may (or may not) be available from other registered (or unregistered) investment advisers at varying fee schedules, both higher and lower.

*Limited Prepayment of Fees:* Under no circumstances do we require or solicit payment of fees in excess of \$1200 more than six months in advance of services rendered.

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

The Putney Financial Group does not charge performance-based fees.

## **Item 7 Types of Clients**

The Putney Financial Group provides advisory services to the following types of clients:

- Individuals (other than high net worth individuals)
- High net worth individuals
- Pension and profit sharing plans (other than plan participants)
- Charitable trusts

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

### **METHODS OF ANALYSIS**

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

*Fundamental Analysis.* We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell).

Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

*Cyclical Analysis.* In this type of technical analysis, we measure the movements of a particular stock against the overall market in an attempt to predict the price movement of the security.

*Quantitative Analysis.* We use mathematical models in an attempt to obtain more accurate measurements of a company's quantifiable data, such as the value of a share price or earnings per share, and predict changes to that data.

A risk in using quantitative analysis is that the models used may be based on assumptions that prove to be incorrect.

*Qualitative Analysis.* We subjectively evaluate non-quantifiable factors such as quality of management, labor relations, and strength of research and development factors not readily subject to measurement, and predict changes to share price based on that data.

A risk is using qualitative analysis is that our subjective judgment may prove incorrect.

*Asset Allocation.* Rather than focusing primarily on securities selection, we attempt to identify an appropriate ratio of securities, fixed income, and cash suitable to the client's investment goals and risk tolerance.

A risk of asset allocation is that the client may not participate in sharp increases in a particular security, industry or market sector. Another risk is that the ratio of securities, fixed income, and cash will change over time due to stock and market movements and, if not corrected, will no longer be appropriate for the client's goals.

*Mutual Fund and/or ETF Analysis.* We look at the experience and track record of the manager of the mutual fund or ETF in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We also look at the underlying assets in a mutual fund or ETF in an attempt to determine if there is significant overlap in the underlying investments held in another fund(s) in the client's portfolio. We also monitor the funds or ETFs in an attempt to determine if they are continuing to follow their stated investment strategy.

A risk of mutual fund and/or ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a mutual fund or ETF, managers of different mutual funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETF, which could make the holding(s) less suitable for the client's portfolio.

*Risks for all forms of analysis.* Our securities analysis methods rely on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

## INVESTMENT STRATEGIES

We use the following strategy(ies) in managing client accounts, provided that such strategy(ies) are appropriate to the needs of the client and consistent with the client's investment objectives, risk tolerance, and time horizons, among other considerations:

*Long-term purchases.* We purchase securities with the idea of holding them in the client's account for a year or longer. Typically we employ this strategy when:

- we believe the securities to be currently undervalued, and/or
- we want exposure to a particular asset class over time, regardless of the current projection for this class.

A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantage of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

*Short-term purchases.* When utilizing this strategy, we purchase securities with the idea of selling them within a relatively short time (typically a year or less). We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase.

*Option writing.* Options can be used as an investment strategy. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an asset (such as a share of stock) at a specific price on or before a certain date. An option, just like a stock or bond, is a security. An option is also a derivative, because it derives its value from an underlying asset.

The two types of options that we use are calls and puts:

- A call gives us the right to buy an asset at a certain price within a specific period of time. We will buy a call if we have determined that the stock will increase substantially before the option expires.
- A put gives the holder the right to sell an asset at a certain price within a specific period of time. We will buy a put if we have determined that the price of the stock will fall before the option expires.

Options can be used to capitalize on sharp price swings of a security. They can also be used to "hedge" a purchase of an underlying security; in other words, one can use an option purchase to limit the potential upside and downside of a security that has been purchased in a portfolio.

At times we use "covered calls," in which we sell an option on a security the client owns. In this strategy, the client receives a fee for making the option available, and the person purchasing the option has the right to buy the security at an agreed-upon price.

At times we can use a "spreading strategy," in which we purchase two or more option contracts (for example, a call option that one buys and a call option that one sells) for the same underlying security. This effectively puts the client on both sides of the market, but with the ability to vary price, time and other factors.

*Risk of Loss.* Securities investments are not guaranteed and you may lose money on your investments. We ask that you work with us to help us understand your tolerance for risk.

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

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

Our firm and our management personnel have no reportable disciplinary events to disclose.

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

##### *MANAGEMENT PERSONNEL Registrations:*

Firm associates Ray Lent and Joe Niederkorn use Portsmouth Financial Services, a San Francisco Broker-Dealer for client securities portfolio transactions. Ray Lent is now a partial owner of Portsmouth Financial Services. As a part owner, Ray Lent will participate in the profits, if any, of Portsmouth Financial Services. A potential conflict of interest may exist because Ray Lent will participate in the profit, if any, resulting from the transaction clearing charges in excess of those paid to Pershing as custodian.

Firm associates Ray Lent and Joe Niederkorn are separately licensed as registered representatives of Portsmouth Financial Services, Inc., a FINRA member broker-dealer. In their capacity as Registered Representatives, these individuals can effect securities transactions for which they will receive customary compensation, such as sales commissions. Should they receive a sales commission, no management fees will be charged to advisory clients on those same funds for twelve months. After the first year the client may elect to continue receiving advice on these funds at a rate of 1% per year, or their tiered fee schedule, whichever is less.

Clients should be aware that the receipt of additional compensation itself could create a conflict of interest. The Putney Financial Group and its associates endeavor at all times to put the interest of the clients first as part of their fiduciary duty.

As part of our fiduciary duty as a Registered Investment Advisor, our firm takes the following steps:

- We collect, maintain and document accurate, complete and relevant client background information, including the client's financial goals, objectives and risk tolerance;

- We disclose to clients that they are not obligated to purchase recommended investment products from our employees or affiliated companies;
- Our firm's management conducts regular reviews of each client account to verify that all recommendations made to a client are suitable to the client's needs and circumstances;
- We disclose to our clients the existence of all material conflicts of interest, including the potential for our firm and our employees to earn compensation from advisory clients in addition to our firm's advisory fees.
- We require that our employees seek prior approval of any outside employment activity so that we may ensure that any conflicts of interests in such activities are properly addressed;
- We periodically monitor these outside employment activities to verify that any conflicts of interest continue to be properly addressed by our firm; and

We educate our employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients.

Relevant to our firm's activities, in August, 2010, a former client of the firm filed an arbitration claim against an unrelated broker-dealer, a trust and five individuals, including two persons who are also representatives of this firm. The claim alleged sales of unsuitable investments and sought \$390,000 in damages. Following a hearing, on February 2, 2012 the panel as part of its decision awarded the claimant a total of \$23,000 from the two associated persons. The panel's chairperson dissented from the award finding that the investments relating to the two associated persons were suitable and reasonable in light of the claimant's stated investment objectives.

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

In addition to strict compliance with applicable federal securities laws, our firm has adopted a Code of Ethics which sets forth high ethical standards of business conduct that we require of our employees. The Putney Financial Group and our personnel owe a duty of loyalty, fairness and good faith towards our clients, and have an obligation to adhere, not only to the specific provisions of the Code of Ethics, but to the general principles that guide the Code.

Our Code of Ethics includes policies and procedures for the review of quarterly securities transactions reports as well as annual securities holdings reports that must be submitted by the firm's access persons. Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our code also provides for oversight, enforcement and recordkeeping provisions.

The Putney Financial Group's Code of Ethics further includes the firm's policy prohibiting the use of material non-public information. While we do not believe that we have any particular access to non-public information, all employees are reminded that such information may not be used in a personal or professional capacity.

A copy of our Code of Ethics is available to our advisory clients and prospective clients. They may request a copy by calling us at (415) 460-1990.

The Putney Financial Group and individuals associated with our firm are prohibited from engaging in principal transactions.

The Putney Financial Group and individuals associated with our firm do not intentionally engage in agency cross transactions.

Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

Our firm and/or individuals associated with our firm may buy or sell for their personal accounts securities identical to or different from those recommended to our clients. In addition, any related person(s) may have an interest or position in a certain security(ies) which may also be recommended to a client. However, it is the expressed policy of our firm that no person employed by us may purchase or sell any security prior to a transaction(s) being implemented for an advisory account, thereby preventing such employee(s) from benefiting from transactions placed on behalf of advisory accounts.

As disclosed in the preceding section of this Brochure (Item 10), related persons of our firm are separately registered as Registered Representatives of Portsmouth Financial Services and are also licensed as insurance agent. Please refer to Item 10 for a detailed explanation of these relationships and important conflict of interest disclosures.

## **Item 12 Brokerage Practices**

The Putney Financial Group does not have any soft-dollar arrangements and does not receive any soft-dollar benefits.

The Putney Financial Group's policy and practice is to not accept advisory clients' instructions for directing a client's brokerage transactions to a particular broker-dealer. We are currently directing all brokerage to Portsmouth Financial Services, with Pershing LLC as custodian. Periodic review of best execution practices is accomplished by a monthly review of our custodian's (Pershing) best execution report card. Their analysis reflects the performance for Pershing based on their four largest routing destinations receiving flow order during the previous month. In the event unsatisfactory execution is published for two consecutive months, firm principal Ray Lent will shop the marketplace for a substitution of clearing services.

Firm associates Ray Lent and Joe Niederkorn are separately licensed as Registered Representatives of Portsmouth Financial Services, Inc., a FINRA member broker-dealer. In their capacity as Registered Representatives, these individuals can affect securities transactions for which they will receive customary compensation, such as sales commissions. Should they receive a sales commission, no management fees will be charged to advisory clients on those same funds for twelve months. After the first year the client may elect to continue receiving advice on these funds at a rate of 1% per year, or their tiered fee schedule, whichever is less.

Firm associates Ray Lent and Joe Niederkorn use Portsmouth Financial Services, a San Francisco Broker Dealer for client securities portfolio transactions. Ray Lent is now a partial owner of Portsmouth Financial Services. The Putney Financial Group requires that clients provide us with written authority to determine the broker-dealer to use and the commission costs that will be charged to our clients for these transactions. For advisory accounts, there are no commissions paid to the Putney Financial Group on purchases/sales of stocks/bonds/mutual funds. However the client does pay a clearing charge on each trade. This charge is not paid to The Putney Financial Group. A potential conflict of interest may exist because Ray Lent will participate in profits, if any, resulting from the transaction clearing charges in excess of those paid to Pershing as custodian.

As a matter of policy and practice, amendments or limitations to discretionary authority must be provided to the firm in writing by the client. Additionally, The Putney Financial Group does not generally block client trades and, therefore, we implement client transactions separately for each account. As a result, certain client trades may be executed before others at a different price. Therefore, clients do not receive volume discounts that could be available at firms that execute block client trades. In the event that The Putney Financial Group does sell/buy a large block of stock, they will make sure that each client that participates receives an equal average price.

## **Item 13 Review of Accounts**

### **INVESTMENT SUPERVISORY SERVICES ("ISS") INDIVIDUAL PORTFOLIO MANAGEMENT**

**REVIEWS:** While the underlying securities within Individual Portfolio Management Services accounts are continually monitored, these accounts are reviewed at least quarterly. Accounts are reviewed in the context of each client's stated investment objectives and guidelines. More frequent reviews may be triggered by material

changes in variables such as the client's individual circumstances, or the market, political or economic environment.

These accounts are reviewed by: Raymond L. Lent.

**REPORTS:** In addition to the monthly statements and confirmations of transactions that clients receive from their broker-dealer, we provide quarterly reports summarizing account performance, balances and holdings.

## FINANCIAL PLANNING SERVICES

**REVIEWS:** While reviews may occur at different stages depending on the nature and terms of the specific engagement, typically no formal reviews will be conducted for Financial Planning clients unless otherwise contracted for.

**REPORTS:** Financial Planning clients will receive a completed financial plan. Additional reports will not typically be provided unless otherwise contracted for.

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

It is The Putney Financial Group's policy not to engage solicitors or to pay related or non-related persons for referring potential clients to our firm.

It is The Putney Financial Group's policy not to accept or allow our related persons to accept any form of compensation, including cash, sales awards or other prizes, from a non-client in conjunction with the advisory services we provide to our clients.

### **Item 15 Custody**

As previously disclosed in the "Fees and Compensation" section (Item 5) of this Brochure, our firm directly debits advisory fees from client accounts.

As part of our billing process, the client's custodian is advised of the amount of the fee to be deducted from that client's account. Clients will receive statements from a qualified custodian on an at least quarterly basis. On at least a quarterly basis, the custodian is required to send to the client a statement showing all transactions within the account during the reporting period.

Because the custodian does not calculate the amount of the fee to be deducted, it is important for clients to carefully review their custodial statements to verify the accuracy of the calculation, among other things. Clients should contact us directly if they believe that there may be an error in their statement.

In addition to the periodic statements that clients receive directly from their custodians, our firm also sends reconciled account appraisals directly to our clients on a quarterly basis. Our clients are urged to carefully compare the information provided on these statements to ensure that all account holdings and values are correct and current.

Our firm has neither actual or constructive custody of client accounts, with the exception of: Ray Lent has check writing authority for three advisory clients' irrevocable insurance trusts. Client securities are held at Pershing LLC. Pershing is not affiliated with Portsmouth or with The Putney Financial Group. Client annuity funds are held at the insurance company that issued the annuity contract. Any limited partnership holdings are held at the issuing company.

### **Item 16 Investment Discretion**

Clients may hire us to provide discretionary asset management services, in which case we place trades in a client's account without contacting the client prior to each trade to obtain the client's permission.

Our discretionary authority includes the ability to do the following without contacting the client:

- Determine the security to buy or sell; and/or
- Determine the amount of the security to buy or sell

Clients give us discretionary authority when they sign a discretionary agreement with our firm, and may limit this authority by giving us written instructions. Clients may also change/amend such limitations by once again providing us with written instructions.

The Putney Financial Group may require that it be provided with written authority to determine which securities and the amounts of securities that are bought or sold in a client's account.

Clients give us discretionary investment authority when they sign a discretionary agreement with our firm, and may limit this authority by giving us written instructions. Clients may also change/amend such limitations by once again providing us with written instructions.

#### **Item 17 Voting Client Securities**

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

We may provide clients with consulting assistance regarding proxy issues if they contact us with questions at our principal place of business.

#### **Item 18 Financial Information**

It is the policy of this firm to bill fees in arrears for services previously rendered. Under no circumstances do we require or solicit payment of fees in excess of \$1200 per client more than six months in advance of services rendered and, as such, there is no financial statement with our firm brochure.

As an advisory firm that maintains discretionary authority for client accounts, we are also required to disclose any financial condition that is reasonable likely to impair our ability to meet our contractual obligations. The Putney Financial Group has no additional financial circumstances to report.

The Putney Financial Group has not been the subject of a bankruptcy petition at any time during the past ten years.