

**TMD & Associates, Inc.**  
Form ADV Part 2A  
Investment Adviser Brochure

October 2011

This brochure provides information about the qualifications and business practices of **TMD & Associates, Inc.** If you have any questions about the contents of this brochure, please contact us at 602.279.2020 and/or [Todd@TMD-AssociatesOnline.com](mailto:Todd@TMD-AssociatesOnline.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 TMD & Associates, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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## Item 2: Summary of Material Changes

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### **Introduction**

In July, 2010, the United State Securities and Exchange Commission published a new rule “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure is a new document prepared according to the SEC’s new requirements and rules. As such, this document is materially different in structure and requires certain new information that our previous brochure did not require.

In the future, this Item will discuss only specific material changes that are made to TMD & Associates, Inc.’s (TMD or the Firm) Brochure and provide clients with a summary of such changes. We will also reference the date of our last annual update of our brochure.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any materials changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

### **Full Brochure Available**

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting Todd Douma, President and Chief Compliance Officer, at 602.279.2020 or Todd@TMD-AssociatesOnline.com. Our Brochure is also available on our web site [www.TMD-AssociatesOnline.com](http://www.TMD-AssociatesOnline.com), also free of charge.

Additional information about TMD is also available via the SEC’s web site [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC’s web site also provides information about any persons affiliated with TMD who are registered, or are required to be registered, as investment adviser representatives of TMD.

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## Item 4: Advisory Business

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### **Firm Description**

TMD is an investment adviser providing investment advisory services to individuals, pension and profit sharing plans, trusts, and estates. TMD was founded in 1994.

### **Principal Owners**

TMD is solely owned by Todd Douma, President and Chief Compliance Officer.

### **Types of Advisory Services**

TMD offers the following types of advisory services: Financial planning services, discretionary portfolio management for individuals and/or small business, portfolio management for businesses or institutional clients (other than investment companies), pension consulting services, and selection of other advisors.

TMD offers broad financial planning for clients that includes personal and financial data gathering, extensive review and presentation of a written financial plan of actions to direct each client toward his/her expressed financial goals.

After the initial written financial plan, TMD may provide investment management services. This includes recommendations on products, strategies and implementation. All legal and accounting advice is incidental to the plan.

### **Financial Planning**

Financial planning includes a review of most aspects of a client's current financial situation, including, but not limited to the following components:

- Cash management;
- Risk management;
- Insurance;
- Education funding
- Goal setting;
- Retirement planning;
- Estate and charitable giving planning;
- Tax planning; and
- Capital needs planning

Completion of a comprehensive plan which includes all of the above components generally takes 1-4 weeks to complete, and involves several meetings with the client, other family members as appropriate, and other professionals such as accountants and attorneys, a review of related documents and data supplied by the client. Meetings may include a review of risk tolerance, financial goals and objectives, and time horizons. Additional meetings may include a review of additional financial information; sources of income, assets owned, existing insurance, liabilities, wills, trusts, business agreements, tax returns, investments, and personal and family obligations.

The financial plan may include both long and short-term considerations, depending upon the individual scenario. TMD provides the client with recommendations that are deemed compatible with the client's stated goals and objectives. TMD reviews an implementation schedule with the client to determine which steps to pursue, and with whom the steps may be accomplished. The client is under no obligation to utilize additional services of TMD and its representatives and is under no obligation to implement the advice or plan. Clients may choose all or certain components of advice and recommendations and can implement the recommendations through the service providers of their choice.

### **Limited Financial Planning**

Clients may also receive financial advice on a more limited basis. This may include advice on only an isolated area(s) of concern such as estate planning, retirement planning, education planning or any other specific topic. Clients understand that when TMD is engaged to address only certain components, the client's overall financial and investment issues may not be taken into consideration.

### **Investment Management Services**

TMD will allocate the client's assets among various investments taking into consideration the overall management style selected by the client. Investment strategies may include long-term and short-term purchases depending upon the individual needs of the client. TMD uses asset allocation, or spreading investments among a number of asset classes and sectors (domestic stocks vs. foreign stocks; large cap stocks vs. small cap stocks; corporate bonds vs. government securities) for most client accounts as well as mutual funds.

TMD may also use other investment advisors as subadvisors. TMD may select other investment advisors by reviewing some or all of the following qualitative criteria: ownership structure, quality and depth of personnel, career path for professionals, consistency of investment process implementation, quality of internal and external research and investment discipline. In addition, TMD may review the following quantitative factors: consistency of returns during good and bad market environments, risk taken in relation to appropriate benchmarks, historical correlations to appropriate benchmarks and style analysis.

TMD generally manages advisory accounts on a discretionary basis, but does allow for both non-discretionary accounts and for non-discretionary investments to be held in discretionary accounts. (An example of a non-discretionary investment held in a discretionary account would be an individual stock that the client has either asked TMD to purchase or has transferred into the account.)

### **Raymond James Consulting Services**

For separately managed accounts, TMD may use Raymond James Consulting Services (RJCS) as a sub-advisor. RJCS is a division of Raymond James and Associates, Inc.

(RJA); a FINRA registered broker/dealer and SIPC member and offers a bundled asset-based fee schedule.

TMD assists the client in selecting the appropriate portfolio manager(s) on the RJCS platform, based upon the client's financial needs and investment objectives. RJCS selects portfolio managers for the platform, establishes custodial facilities, monitors performance of client accounts, provides clients with accounting and other administrative services and assists portfolio managers with certain trading activities.

TMD provides clients with information on each portfolio manager prior to entering into the Investment Management Agreement. Potential portfolio managers are considered for the platform if they meet the following:

- A well-defined investment style
- Proven past performance results
- Consistency of portfolio returns
- Risks taken within acceptable bounds of investment objectives
- Complementary philosophy of the manager with the existing managers

Other factors considered by TMD or RJCS in the screening process may include: low turnover of personnel; in-depth interviews with top personnel; personal visit to the investment manager's office; the size of the investment manager; review of the investment manager's current ADV; no naked options, short sales or futures; and a cooperative, open attitude.

After a portfolio manager has been selected to participate in the RJCS program, RJCS reviews and monitors, on at least a quarterly basis, each portfolio manager's activity to ensure they maintain consistent investment discipline and philosophy with that for which they were originally selected.

### **Margin**

When appropriate to the needs of the client, TMD may recommend the use of margin transactions. Because this investment strategy involves a certain degree of additional risk, it will only be recommended when consistent with the client's stated tolerance for risk.

### **Other**

TMD also provides specific consultation and administrative services regarding investment and financial concerns of the client. TMD also provides advice on non-securities matters. Generally, this is in connection with the rendering of estate planning, insurance, and/or annuity advice.

### **Tailored Relationships**

TMD tailors investment advisory services to the individual needs of the client. The goals and objectives for each client are documented in our client relationship management system. Investment policy statements are created that reflect the stated

goals and objective. TMD clients are allowed to impose restrictions on the investments in their account. TMD may accept any reasonable limitation or restriction to discretionary authority on the account placed by the client. All limitations and restrictions placed on accounts must be presented to TMD in writing.

### **Wrap Fee Programs**

TMD does not participate in a Wrap Fee Program.

### **Client Assets**

As of December 31, 2010, TMD managed approximately \$130 million in assets; \$119 million is managed on a discretionary basis, and \$11 million is managed on a non-discretionary basis.



## Item 5: Fees and Compensation

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### **Compensation**

TMD bases its fees on a percentage of assets under management, hourly charges, and fixed fees. TMD's fee schedules are described below.

### **Financial Planning**

Fees may be charged on an hourly or fixed fee basis. Once determined, the exact fee arrangement is set forth in the Financial Planning Agreement. Hourly fees are typically \$200 per hour depending on the nature and complexity of each client's circumstances, as well as the individual involved in the planning process. An estimate for total hours will be determined at the start of the advisory relationship.

Fixed fees are determined by estimating the number of hours to be spent preparing the plan and then quoting a fixed price. Total costs for financial plans, whether per hour or on a fixed basis, may range from \$250 to as much as \$10,000 or more. There is no typical plan, as plans are customized to the specific needs of the client. All fees are due and payable upon completion of the work.

### **Investment Management Services**

TMD Investment Management Fees are as follows:

<u>Assets Under Management</u>	<u>Annualized Rate</u>
First \$500,000	1.00%
Next \$500,000	0.85%
\$1 million to \$2 million	0.75%
\$2 million and over	Negotiable

Investment Management fees calculated quarterly in arrears on the account asset value, including cash on the last business day of the quarter for the previous quarter. The initial invoice calculated based upon the fair market value of the account, including cash at the time the agreement is executed through the end of the current quarter. There is a minimum annual fee of \$4,500 for the aggregate amount of each client's assets under management.

The client authorizes and directs the custodian to deduct asset-based fees from the client's account; client further authorizes and directs the custodian to send a quarterly statement to the client that shows all amounts disbursed from client's account, including advisory fees paid to TMD. TMD sends the client an invoice each quarter showing the amount of the asset-based fee, the value of the assets on which the fee was based, and the specific manner in which the fee was calculated.

The client may also incur charges for other account services provided by brokers not directly related to the execution and clearing of transactions including, but not limited to,

IRA custodial fees, safekeeping fees, interest charges on margin loans, and fees for legal or courtesy transfers of securities.

### **Raymond James Consulting Services Program Fees**

RJCS program fees are separate from the Investment Management Services disclosed above.

RJCS program fees include a Management fee (0.30% to 0.80%), an Administrative fee (0.05% to 0.15%) and a Clearing fee (0.05% to 0.15%). RJA negotiates with the portfolio manager the management fee payable to the portfolio manager, based on factors including, but not limited to, the portfolio manager's assets under management in the RJCS program, average number of portfolio holdings, average annual turnover, anticipated sales and administrative service levels, among others. The fee payable to portfolio managers is typically 0.40% – 0.50% for equity and balanced accounts, and 0.25% - 0.30% for fixed income accounts, but may be lower due to incremental rate negotiation. Although the basis of RJCS' recommendation of portfolio manager is not based on this negotiated management fee, a conflict may exist due to the potential incentive RJCS may have to recommend a portfolio manager(s) with a lower management fee.

The Management fee is paid to TMD as the advisor, RJCS as the subadvisor and the underlying portfolio manager. The Administrative and Clearing Fees are paid to RJA, as the broker. Clients may also incur charges for other account services provided by RJA not directly related to the execution and clearing of transactions including, but not limited to, IRA custodial fees, safekeeping fees, and fees for legal or courtesy transfers of securities.

The annual asset-based fee is paid quarterly in advance. When an account is opened, the asset-based fee is billed for the remainder of the current billing period and is based on the initial contribution. Thereafter, the quarterly asset-based fee is paid in advance, is based on the account asset value on the last business day of the previous calendar quarter, and becomes due the following business day. The client authorizes and directs RJA as custodian to deduct asset-based fees from the client's account; client further authorizes and directs the custodian to send a quarterly statement to the client that shows all amounts disbursed from client's account, including fees paid to RJA.

The brokerage statement will show the amount of the asset-based fee, the value of the assets on which the fee was based, and the specific manner in which the fee was calculated. Should the client transfer management duties from one portfolio manager to another portfolio manager within RJCS platforms, any prepaid asset-based fees will be reimbursed for the period not utilized by the previous portfolio manager and billed for the remainder of the period for the newly designated portfolio manager.

RJCS accounts are subject to a minimum quarterly fee of \$375. There generally is a minimum investment of \$100,000, although smaller accounts may be accepted based upon the specific circumstances of an account.

The Investment Management Agreement is between TMD, RJCS and the client, and there is no direct agreement between the underlying portfolio manager and the client.

### **Agreement Terms**

Agreements must be terminated in writing. Financial Planning Agreements may be terminated by the client or TMD without penalty by the client or TMD at any time upon receipt of 30 days written notice. Upon termination any prepaid, unearned fees will be promptly refunded based upon the time spent and services rendered by TMD up to the time of termination. Investment Management Agreements may be terminated by the client or TMD without penalty by the client or TMD at any time. Upon termination any prepaid, unearned fees will be promptly refunded.

### **General Information on Compensation**

In certain circumstances, fees, account minimums and payment terms may be negotiable. TMD's fees may be negotiable based on various criteria, including, but not limited to the size of the aggregate related party portfolio size and pre-existing relationships with clients. Compensation will ultimately be based on the time involved, the degree of responsibility assumed, complexity of the engagement, special skills needed to solve problems, the application of experience and knowledge of the client's situation.

Related accounts may be linked for purposes of fee calculation if all parties agree; meaning certain accounts, approved by TMD, may be grouped for fee calculations.

TMD's fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. TMD shall not receive any portion of these commissions, fees, and costs. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus.

Mutual fund fees generally include a management fee, other fund expenses and a possible distribution fee. Mutual funds purchased by TMD for a client account will be executed at Net Asset Value (NAV). Accordingly, the client should review the prospectus of a mutual fund regarding fees charged by the funds in conjunction with fees charged by TMD to fully understand the total amount of fees to be paid by the client, and to thereby evaluate the advisory services being provided.

Third party fees may include the following: IRA and qualified retirement plan fees and other charges required by law. Many broker / dealers (including RJFS) will retain 12b-1 fees and any other fees paid by the mutual fund companies, rather than refunding them to the client. TMD does not earn charge or collect any commissions relative to any transactions implemented or retain any 12b-1 fees.

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

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Neither TMD nor any of its Supervised Persons (employees) accepts performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

TMD does not use a performance-based fee structure because of the potential conflict of interest. Performance-based compensation may create an incentive for the adviser to recommend an investment that may carry a higher degree of risk to the client.

## Item 7: Types of Clients

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### **Types of Clients**

As described in Item 4, TMD's clients include individuals, pension and profit sharing plans, trusts, and estates.

### **Account Minimums**

TMD requires a minimum account size of \$500,000 for investment advisory clients, although this may be negotiable under certain circumstances. Waivers of exceptions from minimum account size may be granted at the exclusive discretion of TMD management. TMD may group certain related client accounts for the purposes of achieving the minimum account size.

RJCS accounts are subject to a minimum quarterly fee of \$375. There generally is a minimum investment of \$100,000, although smaller accounts may be accepted based upon the specific circumstances of an account.

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

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### **Methods of Analysis**

TMD may employ the following security analysis methods: Charting; fundamental analysis; technical analysis; and cyclical analysis.

TMD uses the following main sources of information including, financial newspapers and magazines, research materials prepared by others, corporate rating agencies services, annual reports, prospectuses, filings with the Securities and Exchange Commission (SEC), and company press releases.

Other sources of information that TMD may use include information from investment managers, financial service companies, data base companies, financial journals, and government sources, Morningstar Principia mutual fund information, Morningstar Principia stock information, Advisor Intelligence, Gimme Credit, Dorsey Wright, and the Internet.

### **Investment Strategies**

The investment strategy for a specific client is based upon the objectives stated by the client during consultations. The client may change these objectives at any time. TMD recommends or suggests that each client execute an Investment Policy Statement that documents their objectives and their desired investment strategy.

Other strategies may include long-term purchases, short-term purchases, trading, short sales, margin transactions, and option writing (including covered options, uncovered options or spreading strategies).

### **Risk of Loss**

Investing in securities involves risk of loss that clients should be prepared to bear. All investment programs have certain risks that are borne by the investor. TMD's investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks:

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- **Market Risk:** The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.

- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

TMD may provide investment advice on such investments as limited partnerships and private placement partnerships, private equity deals, oil and gas partnerships, real estate and real estate lending.

TMD reserves the right to advise clients on any other type of investment that it deems appropriate based on the client's stated goals and objectives. TMD may also provide advice on any type of investment held in a client's portfolio at the inception of the advisory relationship or on any investment on which the client requests advice.

TMD provides advice on asset allocation and may recommend other investment advisors for ongoing management, as described in Item 4.

### **Initial Public Offerings**

TMD typically does not participate on behalf of its clients in initial public offerings.

## Item 9: Disciplinary Information

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### **Legal and Disciplinary**

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



## Item 10: Other Financial Industry Activities and Affiliations

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### **Financial Industry Activities – Broker-Dealer**

TMD is not registered as a broker-dealer, and none of its management persons are registered representatives of a broker-dealer.

### **Financial Industry Activities – Other**

Neither TMD nor any of its management persons is registered as (or associated with) a futures commissions merchant, commodity pool operator, or a commodity trading advisor.

### **Affiliations**

Neither TMD nor any of its management persons have a material relationship or arrangement with any related person or financial industry entities, including:

1. broker-dealer, municipal securities dealer, or government securities dealer or broker
2. investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or “hedge fund,” and offshore fund)
3. other investment adviser or financial planner
4. futures commission merchant, commodity pool operator, or commodity trading advisor
5. banking or thrift institution
6. accountant or accounting firm
7. lawyer or law firm
8. pension consultant
9. real estate broker or dealer
10. sponsor or syndicator of limited partnerships.

### **Other Affiliations**

TMD has certain arrangements that may be material to its advisory or its clients.

Todd Douma is licensed and registered with the insurance department of the State of Arizona. He also holds non-resident insurance licenses in Florida and Oklahoma. He may be appointed with several insurance companies and receive separate compensation for fee based transactions implemented through various insurance companies. He may provide fixed insurance products, such as whole life, term life, and health, as well as employee benefits consulting. Insurance and consulting compensation will be separate and distinct from financial planning fees and portfolio management fees charged by TMD.

Clients are not obligated to utilize any of these services for insurance purchases. All clients are free to utilize any insurance agent they choose. Upon request, more information is available regarding these services.

Todd Douma devotes less than 5% of his time on the insurance and consulting activities described above.

### **Other Investment Advisors**

As described in Items 4 and 5, TMD may select other investment advisors for its clients. TMD does not receive any compensation for the selection of other managers.

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

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### **Code of Ethics**

TMD's employees must comply with a Code of Ethics and Statement for Insider Trading. The Code describes the Firms' high standard of business conduct, and fiduciary duty to its clients. The Code's key provisions include:

- Statement of General Principles
- Policy on and reporting of Personal Securities Transactions
- A prohibition on Insider Trading
- Restrictions on the acceptance of significant gifts
- Procedures to detect and deter misconduct and violations
- Requirement to maintain confidentiality of client information

Todd Douma, President and Chief Compliance Officer, reviews all employee trades each quarter. His trades are reviewed by Susan Abbass, Operations Manager. These reviews ensure that personal trading does not affect the markets, and that clients of TMD receive preferential treatment. Since most employee trades are small mutual fund trades or exchange-traded fund trades, the trades do not affect the securities markets.

TMD's employees must acknowledge the terms of the Code of Ethics at least annually. Any individual not in compliance with the Code of Ethics may be subject to termination.

Clients and prospective clients can obtain a copy of TMD's Code of Ethics by contacting Todd Douma at 602.279.2020.

### **Participation or Interest in Client Transactions – Financial Interest and Principal/Agency Cross**

TMD and its employees do not recommend to clients, or buy or sell for client accounts, securities in which they have a material financial interest.

It is TMD's policy that the Firm will not affect any principal or agency cross securities transactions for client accounts. TMD will also not cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client. A principal transaction may also be deemed to have occurred if a security is crossed between an affiliated hedge fund and another client account. An agency cross transaction is defined as a transaction where a person acts as an investment adviser in relation to a transaction in which the investment adviser, or any person controlled by or under common control with the investment adviser, acts as broker for both the advisory client and for another person on the other side of the transaction. Agency cross transactions may arise where an adviser is dually registered as a broker-dealer or has an affiliated broker-dealer.

### **Participation or Interest in Client Transactions – Personal Securities Transactions**

TMD and its employees may buy or sell securities identical to those recommended to clients for their personal accounts. The Code of Ethics, described above, is designed to assure that the personal securities transactions, activities and interests of the employees of TMD 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. Under the Code certain classes of securities, primarily mutual funds, have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of TMD's clients. In addition, the Code requires pre-clearance of many transactions. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics, and designed to reasonably prevent conflicts of interest between TMD and its clients.

### **Participation or Interest in Client Transactions – Aggregation**

TMD and its employees may trade in the same securities with client accounts on an aggregated basis when consistent with TMD's obligation of best execution. In such circumstances, the affiliated and client accounts will share commission costs equally and receive securities at a pro-rated price. TMD will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially filled orders will be allocated on a pro rata basis. Any exceptions will be explained on the order.

## Item 12: Brokerage Practices

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

TMD does not receive formal soft dollar benefits other than execution from broker/dealers in connection with client securities transactions. See disclosure below in “Directed Brokerage – Other Economic Benefits”.

### **Brokerage for Client Referrals**

TMD does not receive client referrals from broker/dealers.

### **Directed Brokerage**

While not routine, the client may direct TMD to use a particular broker-dealer to execute some or all transactions for the client. This brokerage direction must be requested by the client in writing. In that case, the client will negotiate terms and arrangements for the account with that broker-dealer, and TMD will not seek better execution services or prices from other broker-dealers or be able to “batch” client transactions for execution through other broker-dealers with orders for other accounts managed by TMD. By directing brokerage, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case. Not all advisers require or allow their clients to direct brokerage. Subject to its duty of best execution, TMD may decline a client’s request to direct brokerage if, in TMD’s sole discretion, such directed brokerage arrangements would result in additional operational difficulties.

While TMD may at times recommend brokers, the client may direct TMD in writing to use a particular broker or dealer to execute transactions for Client’s account, of which the client will negotiate terms and arrangements with that broker or dealer. Commission rates will be the lowest rate available to TMD based on its volume of activity. Commissions may be charged which are higher or lower than commission rates at other broker dealers.

While it is possible that clients may pay higher commission or transactions fee through RJFS, TMD has determined that RJFS currently offers the best overall value to TMD and its clients for the customer service, brokerage, research services and technology it provides. TMD believes these qualities make RJFS superior to most non-service oriented, deep-discount and internet/web based brokers that may otherwise be available to the public.

If the client requests TMD to arrange for the execution of securities brokerage transactions for the client’s account, TMD shall direct such transactions through broker-dealers that TMD reasonably believes will provide best execution. TMD shall periodically and systematically review its policies and procedures regarding recommending broker-dealers to its client in light of its duty to obtain best execution.

## **Directed Brokerage – Other Economic Benefits**

TMD may have the opportunity to receive traditional “non-cash benefits” from RJFS such as customized statements; receipt of duplicate client confirmations and bundled duplicate statements; access to a trading desk servicing RJFS Advisors exclusively; access to block trading which provides the ability to aggregate securities transactions and then allocate the appropriate shares to client accounts; ability to have investment advisory fees deducted directly from client accounts; access to an electronic communication network for client order entry and account information; access to mutual funds which generally require significantly high minimum initial investments or those that are otherwise only generally available to institutional investors; reporting features; receipt of industry communications; and perhaps discounts on business-related products.

RJFS may also provide general access to research and perhaps discounts on research products. Any research received benefits all clients. TMD has no written or verbal arrangements whereby it receives soft dollars. From time to time, RJFS may offer incentives such as the ability to attend industry-related conferences or other benefits, based on the amount of TMD’s assets under management; however, TMD does not believe that such incentives impair TMD’s independence.

While these individuals endeavor at all times to put the interest of the clients first as part of TMD’s fiduciary duty, clients should be aware that the receipt of additional compensation itself creates a conflict of interest, and may affect the judgment of these individuals when making recommendations.

## **Trade Aggregation**

At the sole discretion of TMD, aggregate purchases or sales of the same security, instrument or obligation may be transacted on the same day for multiple accounts of one or more of TMD’s clients. Although such aggregations potentially could be either advantageous or disadvantageous to any one or more particular accounts, they will be effected only when TMD believes that to do so will be in the best interest of the affected accounts. When transactions are so aggregated the actual prices applicable to the aggregation transaction will be deemed to have purchased or sold its share of the security, instrument or obligation at the average price. If a partial execution is attained at the end of the trading day, TMD will generally allocate shares on a pro rata basis, but may fill small orders entirely before applying the pro rata allocation.

**Accounts for TMD or its employees will be included in a block trade with client accounts.**

## Item 13: Review of Accounts

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### **Reviews**

Reviews are performed under the direction of Todd Douma, President and Chief Compliance Officer. Todd Douma actively reviews client accounts on at least a quarterly basis, however reviews could also occur at the time of new deposits, material changes in client's financial information, changes in economic cycles, at TMD's discretion, or as often as the client may direct. Reviews entail analyzing securities, sensitivity to overall markets, economic changes, investment results and asset allocation, etc., to ensure the investment strategy and expectations are structured to continue to meet clients' objectives and risk tolerance.

TMD encourages frequent client contact; clients are obligated to promptly notify TMD of any changes in the client's financial status to ensure that investment strategies continue to meet the client's changing needs. TMD encourages regular contact with clients – this may be on a quarterly, semi-annual or annual basis.

For those clients that receive general financial planning advice such as budgeting, cash flow management, asset allocation, tax- planning, estate planning and retirement planning, TMD actively reviews these topics with clients on at least an annual basis. Todd Douma provides these services to non-fee- based accounts as well as fee- based accounts.

Todd Douma serves as primary contact on client accounts and maintains contact with clients quarterly by phone or in person; however, administrative personnel will assist with general client communication and services.

### **Review Triggers**

Other conditions that may trigger a review are changes in market, political or economic conditions, tax laws, new investment information, and changes in a client's own situation.

### **Reporting**

Clients receive holding and activity reports at least quarterly from custodial and brokerage firms as well as trade confirmations. At least quarterly, clients receive a brokerage statement from their custodian. The brokerage statement contains the cash balance, type, name and amount of each security, account activity for the period and when available, the unrealized gain or loss of each security.

Additionally, clients typically receive a personalized quarterly statement generated by TMD demonstrating the value of their investments, current asset allocations, and current holding gains/losses within the accounts.

All clients have access to account statements and activity via a secure broker network.

## Item 14: Client Referrals and Other Compensation

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### **Other Compensation**

TMD does not receive any formal economic benefits (other than normal compensation) from any firm or individual for providing investment advice.

### **Other Compensation – Brokerage Arrangements**

See disclosure in Item 12 regarding compensation, including economic benefits received in connection with giving advice to clients.

### **Compensation – Client Referrals**

Except as disclosed in Form ADV Part 2B – Additional Compensation, TMD does not make or accept referral fees or any form of remuneration from other professionals when a prospect or client is referred to them.



## Item 15: Custody

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### **Custody – Fee Debiting**

With the exception of the ability to pay investment advisory fees directly from client accounts, TMD does not and will not have custody of the clients' funds or securities. Client assets shall be held in the custody of a bank, trust company or brokerage firm agreed upon by the client and TMD. However, as part of the Investment Management Agreement signed by the client, the client authorizes TMD to debit fees directly from the client's account at the custodian.

TMD distributes invoices to the client and the broker that state the amount of the fee, the value of the client's assets on which the fee was based, and the specific manner in which the fee was calculated. The broker is advised in writing of the limitation of TMD's access to the account, and will send a statement to the client, at least quarterly, indicating all amounts disbursed from the account including the amount of advisory fees paid directly to TMD.

Though TMD will assist the client in establishing and maintaining accounts at the custodian, TMD shall have no responsibility or liability with respect to custodial arrangements or the acts, omissions or other conduct of the custodian.

### **Custody – Account Statements**

As described above and in Item 13, clients receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. Clients are urged to carefully review such statements and compare such official custodial records to the account statements or other reports that TMD provides. TMD statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

## Item 16: Investment Discretion

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### **Discretionary Authority for Trading and Limited Power of Attorney**

Through the investment management agreement, TMD may accept limited power of attorney to act on a discretionary basis on behalf of clients. A limited power of attorney allows TMD to execute trades on behalf of clients.

When such limited powers exist between the TMD and the client, TMD has the authority to determine, without obtaining specific client consent, both the amount and type of securities to be bought to satisfy client account objectives. Additionally, TMD may accept any reasonable limitation or restriction to such authority on the account placed by the client. All limitations and restrictions placed on accounts must be presented to TMD in writing.

However, TMD consults with the client prior to each trade to obtain concurrence if a blanket trading authorization has not been given.

## Item 17: Voting Client Securities

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### **Proxy Voting**

TMD does not have any authority to and does not vote proxies on behalf of clients. TMD also does not render advice to or take any actions on behalf of clients with respect to any legal proceedings, including bankruptcies and shareholder litigation. TMD may assist clients with completing forms for shareholder litigation. Clients retain the responsibility for receiving and voting proxies and any legal proceedings for securities maintained in their portfolios; clients receive these corporate actions from directly from either custodians or transfer agents.

If requested, TMD may provide advice to clients regarding proxy votes and legal proceedings. If any conflict of interest exists, it will be disclosed to the client. Clients may contact Todd Douma at 602.279.2020 for information about proxy voting.

## Item 18: Financial Information

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### **Financial Condition**

TMD 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.

TMD is not required to provide a balance sheet; TMD does not require prepayment of fees of more than \$1,200 per client, and six months or more in advance.

## Other Information

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### **Privacy**

TMD is committed to maintaining the confidentiality, integrity and security of the personal information that is entrusted to us.

The categories of nonpublic information that we collect from you may include information about your personal finances, information about your health to the extent that it is needed for the financial planning process, information about transactions between you and third parties, and information from consumer reporting agencies, e.g., credit reports. We use this information to help you meet your personal financial goals.

With your permission, we disclose limited information to attorneys, accountants, and mortgage lenders with whom you have established a relationship. You may opt out from our sharing information with these nonaffiliated third parties by notifying us at any time by telephone, mail, fax, email, or in person. With your permission, we share a limited amount of information about you with your brokerage firm in order to execute securities transactions on your behalf.

We do not provide your personal information to mailing list vendors or solicitors. We require strict confidentiality in our agreements with unaffiliated third parties that require access to your personal information, including financial service companies, consultants, and auditors. Federal and state securities regulators may review our Company records and your personal records as permitted by law.

Personally identifiable information about you will be maintained while you are a client, and for the required period thereafter that records are required to be maintained by federal and state securities laws. After that time, information may be destroyed.

We will notify you in advance if our privacy policy is expected to change. We are required by law to deliver our Privacy Notice to you annually, in writing.

### **Business Continuity Plan**

TMD has a Business Continuity Plan in place that provides detailed steps to mitigate and recover from the loss of office space, communications, services or key people. The Business Continuity Plan covers natural and man-made disasters. Electronic files are backed up daily and archived offsite.

Alternate offices are identified to support ongoing operations in the event the main office is unavailable. TMD's intention is to contact all clients within five days of a disaster that dictates moving our office to an alternate location.

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**TMD & Associates, Inc.**  
Form ADV Part 2B  
Investment Adviser Brochure Supplement

**Supervisor: Todd M. Douma**

**Supervisor of:**  
Steven E. Neeley

October 2011

This brochure supplement provides information about the Firm's Supervised Persons that supplements the TMD & Associates, Inc. brochure. You should have received a copy of that brochure. Please contact Todd Douma, President and Chief Compliance Officer, if you did not receive TMD & Associates, Inc.'s brochure or if you have any questions about the contents of this supplement.

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

**7740 North 16th Street, Suite 380  
Phoenix, AZ 85020  
602.279.2020  
Todd@TMD-AssociatesOnline.com  
[www.TMD-AssociatesOnline.com](http://www.TMD-AssociatesOnline.com)**

## Educational Background and Business Experience

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### **Education and Business Background**

TMD requires a college degree and/or extensive experience in financial planning as a minimum standard for professionals. Professionals must have also attained or be in the process of completing a post-graduate financial advisory designation/certification, such as MBA, CFP®, CFA or CPA. In addition, CFP® professionals must also be members in good standing with the Certified Financial Planner Board of Standards Inc.'s (CFP Board), meet all applicable continuing education requirements of the CFP Board, and agree to abide by the CFP Board Code of Ethics.

### **Supervised Persons**

***Todd M. Douma***

***Year of Birth: 1969***

#### **Business Background:**

TMD & Associates, Inc.	1994 - Present
President, Chief Compliance Officer and Investment Advisor Representative	

Raymond James Financial Services, Inc.	1994 - 2006
Registered Representative	

Edward D. Jones & Co., L.P.	1993 - 1994
Registered Representative	

#### **Education:**

Arizona State University	1989 - 1990
BS Finance	

University of Florida	1987 - 1989
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#### **Professional Designations and Licenses:**

Certified Financial Planner (CFP®)

***Steven E. Neeley***

***Year of Birth: 1979***

#### **Business Background:**

TMD & Associates, Inc.	2010 - Present
Financial Planning Coordinator and Investment Advisor Representative	



Thunderbird School of Global Management  
MBA, Finance

### Professional Designations and Licenses:

Series 65 – Uniform Investment Adviser Law Examination  
In progress - Certified Financial Planner (CFP®) – CFP Coursework and Exam completed

TMD's Supervised Persons maintain professional designations, which required the following minimum requirements:

**Issued by:** Certified Financial Planner Board of Standards, Inc.

**Prerequisites/Experience Required:** Candidate must meet the following requirements:

- A bachelor's degree (or higher) from an accredited college or university, and
- 3 years of full-time personal financial planning experience

**Educational Requirements:** Candidate must complete a CFP-board registered program, or hold one of the following:

- CPA
- ChFC
- Chartered Life Underwriter (CLU)
- CFA
- Ph.D. in business or economics
- Doctor of Business Administration
- Attorney's License

**Examination Type:** CFP Certification Examination

**Continuing Education/Experience Requirements:** 30 hours every 2 years

## Disciplinary Information

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### **Disciplinary Information**

Neither TMD nor any Supervised Persons have been involved in any activities resulting in a disciplinary disclosure.

## Other Business Activities

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### **Other Business Activities**

Disclosure on Outside Business Activities is provided in Form ADV Part 2A Item 10 – Other Financial Industry Activities and Affiliations. These Outside Business Activities do not create a material conflict of interest with clients.

As disclosed in Form ADV Part 2A Item 5 – Fees and Compensation, neither TMD nor any supervised persons receive commissions, bonuses or other compensation based on the sale of securities or other investment products.

TMD's Supervised Persons may also be actively engaged in other outside business activities.

As disclosed in Form ADV Part 2A, Item 10 – Other Financial Industry Activities and Affiliations, Todd M. Douma is licensed and registered with the insurance department of the State of Arizona. Less than 10% of his time is devoted to this activity.

Todd M. Douma is a Member of ADU Investments, LLC (a Montana Limited Liability Company), which invests in real estate. Todd M. Douma's duties include organizing payments; acting as a liaison for the condo association; and acting as the point person to schedule condo usage. Certain TMD clients are also Members. Todd M. Douma spends less than 5% of his time on this activity.

Todd M. Douma is a Member of Soul of the Valley, LLC (an Arizona Limited Liability Company) and BADU, LLC (an Arizona Limited Liability Company), both of which invest in real estate. Soul of the Valley, LLC also invests in real estate debt. Certain TMD clients are also Members. Todd M. Douma spends less than 5% of this time on this activity.

## Additional Compensation

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Certain Supervised Persons may receive a referral bonus based on client use of ancillary services (insurance).

## Supervision

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### **Supervision**

Todd Douma, President and Chief Compliance Officer, supervises all persons named in this Form ADV Part 2B Investment Adviser Brochure Supplement. Todd Douma supervises these persons by holding regular staff, investment and other ad hoc meetings. In addition, Todd Douma regularly reviews client reports, emails, and trading, as well as employees' personal securities transaction and holdings reports. Todd Douma may be reached at 602.279.2020.

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