

TRUHLAR FINANCIAL STRATEGIES, INC.  
REGISTERED INVESTMENT ADVISORY BROCHURE

Revised March 28, 2007

*Truhlar Financial Strategies became a Registered Investment Adviser with the Securities and Exchange Commission (SEC) on November 13, 1981 and incorporated on January 24, 1992. This Advisory Brochure is a substitute for SEC Form ADV Part II to provide the disclosure required by the Brochure Rule 204-3 under the Investment Advisers Act of 1940. The SEC has not passed upon or approved the qualifications or business practices of the investment adviser or the information contained herein and in Part II of Form ADV.*

**I. ADVISORY SERVICES AND FEES**

Truhlar Financial Strategies, Inc. (TFS) provides investment supervisory services and furnishes investment advice through consultations. Investment advisory services may be provided for Advisory Clients (Clients) as an asset management system or as Special Services. TFS services do not include legal or accounting advice.

- A. ASSET MANAGEMENT and SPECIAL SERVICES generally proceed from interviews and questionnaires compiling personal financial data and investment objectives.
1. ASSET MANAGEMENT SYSTEMS may provide investment strategies for retirement, retirement plans, education funds, income needs or for wealth accumulation.
  2. SPECIAL SERVICES may provide estate planning and insurance needs analysis. Objectives considered may include estate tax reduction strategies, asset ownership and distribution alternatives, survivor income planning, and charitable gifting. Expert witness testimony may be provided regarding investment management or fiduciary responsibility.
  3. Non-scheduled fees may be charged for these services or other investment advice. Such fees may be agreed upon in advance as a fixed fee or can be based on the number of hours actually spent.

B. ASSET MANAGEMENT SYSTEMS provide personalized investment advice.

1. CAMS: The Capital Asset Management System emphasizing tactical asset allocation provides the following services:

- Preparation of an asset allocation, risk analysis and investment policy that conforms to the Client's growth or income investment objectives.
- Recommendation of mutual funds or other investment vehicles expected to satisfy the objective.
- Recommendation of mutual funds and investment vehicles for any recommended reallocation of assets on a quarterly basis.
- Asset management on a non-discretionary basis or with discretion as described in Section XII.
- Actively managed accounts receive continuous reviews of the underlying assets.

The following scheduled fees apply to CAMS clients:

A one-time start-up fee is required to start an account. The fee will be charged at the rate of 1% of the initial assets placed under management in the first year up to a maximum of \$250,000. No start-up fee is charged for assets in excess of \$250,000. The minimum start-up fee is \$1,500. One-half of the start-up fee is due at the time of establishment of a client account. The balance is due on completion of the initial analysis and allocation recommendation.

- Review fees are billed and payable in arrears, generally quarterly.
- Fees are based on the value of the assets under CAMS management at the end of each quarterly period, calculated as follows:

First \$100,000	2% annually, payable	0.5% quarterly
Next \$400,000	1 1/2%	0.375%
Next \$500,000	1%	0.25%
Over \$1,000,000	1/2%	0.125%
- The minimum annual fee is \$2,750.
- CAMS services may be cancelled by written notice at anytime. Terminated accounts will be charged a prorated fee (See Section F) for the proportionate number of days under management during the quarter.

2. LIMO: LIMited Objective strategic management may be provided if TFS deems it appropriate. This would include recommendations for the allocation and reallocation of assets on an agreed schedule and asset management on a non-discretionary basis or with discretion as provided in Section XII.

LIMO start-up and review fees will be determined and agreed prior to TFS accepting the engagement. Fees will be based on the level of difficulty in satisfying the objective and the asset amount. The minimum start-up fee is \$1,000.

C. The start-up fee may be waived or reduced in certain circumstances, particularly when a client transfers from one strategy which had a start-up fee to another. CAMS fees may be negotiable under certain circumstances.

D. All fees paid to TFS for advisory services are separate from the fees and expenses charged to shareholders of mutual fund shares by the mutual funds, or by other investment advisers managing the portfolios. A complete explanation of the expenses charged by mutual funds is contained in each mutual fund's prospectus. Clients are encouraged to read the fund prospectus.

E. Recommendations are made objectively and in the client's best interest. The client is in no way obligated to obtain any recommended product through TFS.

- F. Fees for investment advice and service to existing portfolios are payable in arrears. Start-up fees and fees for services not involving securities or investments are payable one-half in advance and one-half upon completion of the engagement. The client may terminate a working agreement at any time by providing written notice, and a refund of the unearned fees will be made based on the time and effort expended by TFS before termination, however, a full refund of any fees will be made if the contract is terminated within five business days of the date of the agreement and a Disclosure Statement was not received 48 hours prior to signing the investment adviser agreement.

**II. TYPES OF CLIENTS** generally include individuals, self-directed 401(k) assets and IRAs; Pension and Profit Sharing plans; Trusts and Estates.

### **III. TYPES OF INVESTMENTS**

TFS generally provides investment advice concerning:

- A. Investment company securities including mutual funds and variable annuities.
- B. Exchange listed securities and securities traded over-the-counter.
- C. Other investment advisory services.

### **IV. METHODS OF ANALYSIS, SOURCES OF INFORMATION AND INVESTMENT STRATEGIES**

- A. Analysis Methods include Fundamental, Technical and Cyclical analyses.
- B. Principal sources of information used include business and financial periodicals, annual reports, prospectuses, corporate rating services, selected investment texts, market and mutual fund research prepared by others, continuing education seminars, professional relationships, and mutual fund manager interviews.
- C. The investment strategists select a return objective and investment horizon derived from information provided by the client, generally provided by the Investment Growth Objective and Risk Profile, and the Client Confidential Questionnaire. Assets are then allocated according to the following investment objectives as may be appropriate and agreed upon:
  - 1. Provide liquidity through investments in mutual funds or individual securities.
  - 2. Provide growth potential using diversification expected to reduce total portfolio capital risk.
  - 3. Consider how tax incentives may increase the expected net rate of return.
  - 4. Allocate assets using strategies expected to reduce risk for a desired rate of return.
  - 5. Anticipate long-term income needs for retirement or survivors.
  - 6. Consider estate liquidity and transferability.
  - 7. Provide opportunities for total return, subject to the investment horizon of the client, with quarterly or more frequent adjustments if appropriate.
  - 8. Both long and short-term (less than one year) strategies are employed.

Substantial reliance is placed on institutional research of market trends, personal interviews with portfolio managers, MorningStar, Inc. and other institutional research for evaluation of mutual funds.

There is no guarantee that any strategies used will be effective.

## **V. EDUCATION AND BUSINESS STANDARDS**

Only a Senior Financial Strategist or an Associate Financial Strategist with a minimum of ten years of investment advisory or related experience determines or approves what investment advice shall be rendered to any client.

## **VI. EDUCATION AND BUSINESS BACKGROUND**

John F. Truhlar, born 5/17/41, Senior Financial Strategist, received a B.A. from St. Mary's College in 1963 and a Ph.D. from Washington State University in 1967 with physics major and mathematics minor. Formal financial planning credentials were earned as follows:

- CLU designation in 1976 with course work in economics, finance, accounting, taxation, estate planning, investments, insurance and employee benefits.
- Master of Sciences in Financial Services degree in 1982 . Advanced course work included estate planning, employee benefit planning, pension planning, business tax planning, financial accounting, business valuation and research methods.
- Chartered Financial Consultant designation, 1982, with additional course work in wealth accumulation planning and financial counseling.
- Chartered Mutual Fund Counselor designation, 1996.

John has worked in the financial services field since 1973. His recent employment background includes President of Truhlar Financial Strategies from 11/1981 to the present; CEO of Truhlar & Associates from 10/1977 to the 12/2004; and Managing Executive of Royal Alliance Associates, Inc. from 4/1976 to 6/1998.

Jolie J. Wolf, born 1/24/55, Associate Financial Strategist, received a B.S. in Finance from the University of Colorado in 1977. She joined the firm in 1985 after seven years with a local estate planning firm. She was a Registered Representative of Royal Alliance Associates, Inc. from 6/1985 to 6/1998.

Betty J. Hoye, born 9/2/45, an Associate Financial Strategist, received her B.A. in 1979 from Michigan State University. In 1981 she received her C.P.A. designation. She joined TFS in 1993. Betty owned and operated the Broadway Drug and General Store from 4/1994 to 6/2000.

## **VII. OTHER BUSINESS ACTIVITIES**

Truhlar Financial Strategies, Inc. is not engaged in a business other than providing investment advice.

## **VIII. OTHER FINANCIAL INDUSTRY ACTIVITIES OR AFFILIATIONS**

The principal business of TFS is that of an investment adviser. However, the Financial Strategists of TFS are involved in the sale and servicing of insurance which accounts for approximately 2% of total business activity.

TFS is a SEC registered investment adviser. However, John F. Truhlar, the principal executive officer, in his individual capacity, is separately licensed as an insurance agent or broker for one or more insurance companies.

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

As an insurance agent or broker of various insurance companies, John F. Truhlar is able to offer insurance. However,

Clients are not under any obligation to engage him when considering implementation of advisory recommendations. The implementation of any or all insurance recommendations is solely at the discretion of the client.

## **IX. PARTICIPATING OR INTEREST IN CLIENT TRANSACTIONS**

TFS affiliates may receive commissions for the sale of insurance products.

TFS affiliates may buy or sell securities that they recommend to their clients.

TFS or individuals associated with TFS may buy or sell securities identical to those recommended to customers for their personal accounts. In addition, related persons may have an interest or position in a security which may also be recommended to a client.

As these situations represent a conflict of interest, TFS has established the following restrictions in order to ensure its fiduciary responsibilities:

1. A director, officer or employee of TFS shall not buy or sell securities for their personal portfolio(s) where their decision is substantially derived, in whole or in part, by reason of his or her employment unless the information is also available to the investing public on reasonable inquiry. No person of TFS shall prefer his or her own interest to that of the advisory client.
2. TFS maintains a list of all securities holdings for itself and anyone associated with this advisory practice with access to advisory recommendations. These holdings are reviewed on a regular basis by an appropriate officer/individual of TFS.
3. All clients are fully informed that certain individuals may receive separate compensation when effecting transactions during the implementation process.
4. TFS emphasizes the unrestricted right of the client to decline to implement any advice rendered by TFS, except in situations where TFS is provided with discretionary authority.
5. TFS requires that all individuals must act in accordance with all applicable Federal and State regulations governing registered investment advisory practices.
6. Any individual not in observance of the above may be subject to termination.

TFS has a Code of Ethics which sets forth standards of conduct expected of advisory personnel. A copy of this code is available upon request.

## **X. CONDITIONS FOR MANAGING ACCOUNTS**

TFS does not generally impose any conditions on the establishment of an investment advisory account, with the exception of minimum initial account size of CAMS accounts of \$150,000.

## **XI. REVIEW OF ACCOUNTS**

Only Financial Strategists perform the reviews for CAMS and LIMO accounts. Additional reviews may be suggested because of changes in an investment strategy, or the circumstances of a client. A Financial Strategist may have no more than 180 assigned accounts. Accounts are reviewed according to assigned follow-up dates.

Quarterly reports for Capital Asset Management System (CAMS) clients may include:

1. An investment policy statement (initially and when objectives change).
2. Recent portfolio performance and performance of a comparative index.
3. An asset allocation analysis of the existing portfolio.
4. Recommendations expected to provide a more efficient risk-adjusted return.
5. Identification of investment vehicles for the recommend reallocation of funds.

Reports for LIMited Objective (LIMO) strategic management clients consist of recommendations and an account valuation on a quarterly basis.

## **XII. INVESTMENT OR BROKERAGE DISCRETION**

Without consent of the investment client, neither TFS nor any associated person has discretionary authority to make any of the following determinations: which securities are to be bought or sold; the total amount of the

securities to be bought or sold; through which broker or dealer securities are to be bought or sold; or the commission rates at which securities transactions for client accounts are effected.

With specific authorization from the Advisory Client, TFS can provide management on a discretionary basis which implements the purchase or sale of securities when the portfolio consists of securities or no-load mutual funds which when purchased, sold, exchanged or transferred do not result in any compensation to TFS.

For discretionary clients TFS requests that it be provided with written authority to determine which securities and the amounts of securities that are bought or sold. Any limitations on this discretionary authority shall be included in the written authority statement. Clients may change/amend these limitations as required. Such amendments shall be submitted in writing.

TFS participates in the Schwab Institutional (SI) services program offered to independent investment advisers by Charles Schwab & Company, Inc., (SCHWAB) an NASD registered broker dealer. This relationship is reviewed annually to assess the quality of services provided, commission rates, financial responsibility and responsiveness and execution capability. When clients' securities are custodied at SCHWAB, all trades are placed through this broker-dealer. TFS has limited or no ability to negotiate commission rates.

Clients in need of brokerage and custodial services will have Charles Schwab & Company recommended to them. As part of the SI program, TFS receives benefits that it would not receive if it did not offer investment advice (see the disclosure under Section XIII).

All security transactions are currently referred to SCHWAB because of their technical support and service capability. Clients are given prior notification of transaction fees at SCHWAB.

All client assets at ICON Advisers, Inc. are invested through Schwab by ICON Advisers, Inc.

### **XIII. ADDITIONAL COMPENSATION**

TFS participates in Charles Schwab & Company, Inc.'s Institutional Services program (SI). While there is no direct linkage between the investment advice given and participation in the SI program, economic benefits are received which would not be received if TFS did not give investment advice to clients. These benefits include: receipt of duplicate client confirmations and bundled duplicate statements, access to a trading desk serving SI participants 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, for a fee, to an electronic communication network for client order entry and account information, receipt of compliance publications; and access to mutual funds which generally require significantly higher minimum initial investments or are generally available only to institutional investors. The benefits received through participation in the SI program may or may not depend upon the amount of transactions directed to, or amount of assets custodied by SCHWAB.

If TFS has a split fee arrangement for any client, the solicitors' agreements are in compliance with Rule 206(4)-2 of the Investment Advisers Act of 1940. In addition, all applicable federal and state laws will be observed. All clients procured by solicitors will be given full written disclosure describing the terms and fee arrangements between the adviser and the solicitor.

### **XIV. CUSTODY OF FUNDS**

- A. TFS has no custody of client funds or securities other than when directly debiting client accounts for advisory fees.
- B. A fee payable six or more months in advance shall not exceed \$500.